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NEWS SUMMARY

GENERAL

Hain identity parade riddle

Peter Hain, the Young Liberal leader, snatched £490 from a Barclays Bank cashier on the spur of the moment, Mr. Michael Corkery, prosecuting, suggested at the Old Bailey yesterday. Hain pleaded not guilty to stealing the money.

Mr. Corkery said that at an identification parade three days after the robbery at the Putney bank, an accountant had been unable to say whether Hain was the man he had chased, though there was a resemblance. The robbed cashier had picked him out, but another teller pointed to a different man. Hain denied he had been in the bank.

The case presents a series of strange coincidences. The robbed cashier is named Mrs. Haines, the bank accountant who chased the thief is Mr. Timothy Hayne, the police photographer is Mr. Hayne and the fingerprint officer is Mr. Haynes. The trial continues today.

Britain must arrest Smith, says Kaunda

President Kenneth Kaunda of Zambia has called for British military intervention in Rhodesia and the imposition of a settlement leading to majority rule within a year. He said this was the only alternative to an escalating guerrilla war against the White Rhodesians and suggested that Britain should arrest Mr. Ian Smith and his Ministers and dissolve the Rhodesian Parliament. Back Page

South African baton charge

Twenty-four workers were taken to hospital after South African police made a baton charge on Blacks outside the Johannesburg factory of Heilmann Electric South Africa. The company, in which Barlow Rand, the mining group, has a large stake, is an associate of a U.S. electrical concern. It has refused to raise the All-African Metal and Allied Workers' Union and last week dismissed the work force of 600.

Rugby captain fights for life

Welsh rugby captain Mervyn Davies is fighting for his life and is unlikely to play again, according to a Cardiff neurosurgeon. The British Lions' star was taken to hospital on Sunday with a brain haemorrhage after collapsing during the match between Swansea and Pontypool at Cardiff Arms Park. He has regained consciousness.

'Revenge' bomb

Scotland Yard detectives are working on a theory that the Olympia bomb on Saturday was planted by members of a South London Provisional IRA cell as a gesture of defiance after the discovery of two bomb factories in Clapham. Dom Basil Hume, the new Archbishop of Westminster, condemned the outrage on behalf of the Catholic Church.

Life raft 'rotten'

The crew of the Lovat, a sinking cargo ship, jumped into a life raft only to discover it had not inflated properly because part of the fabric had rotted, counsel for the Department of Trade told an inquiry at Swansea. The ship and 11 of its 13-man crew were lost in January, 1975.

Lost chords

A Wimbledon couple obtained an injunction in the High Court against the musical family in the flat downstairs. Trumpet-playing was banned and performing hours on the clarinet, piano, viola and violin were curtailed. The family was ordered to pay costs, to the tune of £2,000.

BUSINESS

Equities down 4; £ equals closing low

● **EQUITIES** were unsettled by gloomy economic predictions. The FT 30-share index closed at the day's low, 4 points down at 406.4.

● **GILTS** opened lower but picked up throughout the day. Initial losses were made good. Shorts closed with gains to 1.5.

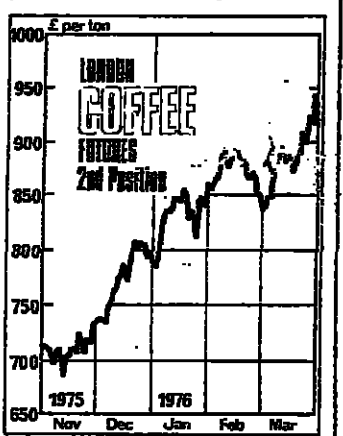
● **STERLING** fell 35 points to \$19.70. Its trade weighted depreciation widened to 33.9 (33.8) per cent., equal to the record closing low. The dollar continued to improve: its fall narrowed again to 2.04 (2.12) per cent.

● **GOLD** lost \$11 in moderate trading to close at \$129.1.

● **WALL STREET** closed 6.06 lower at 997.40. There was no apparent reaction to the 0.8 per cent. rise last month in the U.S. index of leading economic indicators. The earlier figure of 2.2 per cent. for the January rise has now been scaled down to 1.5 per cent. Page 5

Coffee reaches new record

● **COFFEE** prices resumed their climb yesterday. The London terminal market saw record quotations: the May (second)



position touched 1944 a tonne before closing £23 above the week-end level at £943.5. Page 33

● **PROMPT ACTION** is expected from the Government to exempt oil-shore oil and gas installations from local authority rates. Grampian regional council yesterday assessed BP's Forties field at a rateable value of £8.5m. Page 8

● **OIL COMPANIES** have been told by the Government that it wants up to two-thirds of North Sea oil production refined in the U.K. Page 10

V and G report due out soon

● **DEPARTMENT** of Trade report into Vehicle and General Insurance is expected to be published soon. The company collapsed in 1971 leaving a million motorists without cover. Back Page

● **ICI DECISION** to grant sole bargaining rights for some 9,000 senior managerial and professional staff to the Association of Professional Scientists and Technologists—a non-TUC union—drew warnings of non-co-operation from manual labour unions. Page 13

● **BOOKER McCONNELL** group pre-tax profits rose 16 per cent. last year to £16.13m. The U.K. companies earned 75 per cent. of the total. Page 22 and Lex

● **BARRATT DEVELOPMENT** first-half pre-tax profits advanced to £1.95m. (£2.62m.) including £1.24m. from the recently acquired H. C. James. Page 23 and Lex

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)		FALLS	
RISES			
Treasury 10½p 79.595	+ 3	Assed. Newspapers	108 - 4
Amber Day	27 + 3	Avon Rubber	76 - 5
Barratt Devs.	119 + 4	British Leyland	27 - 3
Berisford (S. and W.)	137 + 6	Burgess Products	241 - 31
Bifurcated	42 + 4	Gerrard and National	235 - 15
Booker McConnell	141 + 13	ICI	283 - 4
Dundonian	44 + 4	Lyons (J. "A")	128 - 8
Fertileman (B.)	43 + 4	Nat. Westminster	233 - 5
Gardner (L.)	86 + 4	Newman-Tonks	40 - 6
Lankro	133 + 3	UDS	83 - 5
Meatco and Garton	121 + 3	Ultra Electronic	24 - 4
Merchall (Hillside)	84 + 6	Union Discount	321 - 10
Martin (Tom)	63 + 4	Warren (James)	38 - 5
Redfern Nat. Glass	80 - 4	Ultramar	157 - 5
Reed (W.)	32 + 4	Cons. Gold Fields	132 - 11
Sawwood Radio	12 + 2	Fre. State Gold	118 - 11
BP	615 + 5	Southern Kinta	73 - 16
De Beers Ltd.	212 + 5	Southval	425 - 20
Sabina	93 + 6	Trench	81 - 3
		Westfield Minerals	164 - 8

No more Concorde to be sanctioned unless ordered

BY MICHAEL DONNE: PARIS, March 29

The British and French Governments after nearly four hours of talks here to-night postponed any final decision on the Concorde programme. They decided that no further Concorde beyond the 16 already committed will be sanctioned until justified by additional orders.

Those taking part in the talks routes to the U.S. and other parts of the world. It was pointed out that both sides in the Concorde programme saw early expansion of the route network as a main source of future airline interest in the aircraft and, therefore, the possibility of new orders.

The Ministers also said that they had instructed their officials immediately to examine the way in which a second generation supersonic transport ought to be undertaken. This did not mean that the two countries were about to embark on a Mark II version of the Concorde—they could hardly do that in the absence of orders for the first generation.

What it did mean was that both sides remained confident that having arrived, the supersonic transport era was here to stay, and all possibilities of developing it should be studied. Although it was not admitted in the joint communiqué, it was made clear that Britain and France would be looking towards possible eventual collaboration with the U.S.

Two positive steps did emerge from the meeting. The first was that the two governments agreed to reaffirm their intention to support every effort to accelerate important immediate task as the opening of new Concorde being the expansion of the exist-

Positive

The decision undoubtedly came as a blow to representatives of the British and French trade unions who were lobbying in force outside the French Ministry of Transport, where the meeting was held.

This was a very long time ago and the two governments agreed to reaffirm their intention to support every effort to accelerate important immediate task as the opening of new Concorde being the expansion of the exist-

Realism

For the rest, the two Governments will try to ensure that countries which have options or letters of intent—Iran and Communist China—confirm the contracts as soon as possible.

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Shipowners agree to talks about aid for yards

BY JOHN WYLES, SHIPPING CORRESPONDENT

MINISTERS edged shipowners closer yesterday towards a joint attempt to avert large-scale shipyard closures.

With the shipbuilding industry facing widespread redundancies by the end of this year unless more orders are secured, the General Council of British Shipbuilders responded to a low-key Government appeal by agreeing, subject to approval of its general policy committee, to take part in tripartite talks with a view to assisting the British shipbuilding industry in its present difficulties.

This prospect of an unprecedented degree of co-operation between shipbuilders and shipowners came at the end of a 45-minute meeting which included a grim outline of the crisis facing the shipyards from Mr. Eric Varley, Secretary of the industry, and Mr. Peter Shore, Secretary for Trade.

The proposed tripartite talks, which would involve the Government and British Shipbuilders, the State corporation which will run the shipbuilding industry after nationalisation, were welcomed last night by Mr. J. Graham Day, chief executive-designate of British Shipbuilders.

"The sooner the talks go ahead, the better," he said. Some shipbuilding companies may be disappointed by the Government's kid-glove approach yesterday in the light of recent Department of Industry statements that coercive measures to force U.K. shipowners to buy British had not been ruled out.

But the strength of the shipowners' case for buying ships at competitive prices abroad has impressed Ministers, who now appear to hope that shipowners and shipbuilders will first agree on the scale of business they can do with each other, and then tell the Government what it must do to clinch arrangements.

At the least, suggestions for Government aid are likely to include better credit facilities than now, under OECD understandings. Credit arrangements, allied to competitive pricing and delivery dates, account for the fact that U.K. owners placed only 11 per cent. of orders with U.K. yards last year, compared to the traditional 30-35 per cent. But the GCBS also suggested talks on owners possibly chartering vessels from British shipbuilders.

The tanker industry's International Maritime Industry Forum had its first meeting in London yesterday since the appointment in January of its chairman, Sir James Dunnett, and his 14-man advisory council. It is pledged to consider means of attacking the world tanker surplus.

Callaghan poised to take lead

BY PHILIP RAWSTORNE

MR. JAMES CALLAGHAN is widely expected at Westminster to take the lead from Mr. Michael Foot in today's second ballot in Labour's leadership election.

After another exhaustive head count yesterday, the Foreign Secretary's supporters predicted that he would head his main rival for the Prime Minister's office by about 145 votes to 130.

Their most optimistic assessment was that Mr. Callaghan might just gain the 158 votes needed to secure an outright victory; their most pessimistic figures put him no more than half a dozen votes behind Mr. Foot.

Voting in the second ballot ends at noon to-day and the results will be announced at 5.30 p.m. to a special meeting of the Parliamentary Labour Party from mainly Conservative

Tories fight Budget broadcast

BY PHILIP RAWSTORNE

INTENSE Conservative opposition appears to have blocked proposals for a live radio broadcast next week of Mr. Denis Healey's Budget speech.

Mrs. Margaret Thatcher, Tory leader, is understood to have argued that the broadcast would have given a significant political advantage to the Government.

The Chancellor's speech which usually runs for almost two hours, would have been broadcast together with Mrs. Thatcher's brief, off-the-cuff reply.

The Conservative leader and Radio News had indicated that they would like to broadcast the Chancellor's speech. The proposal could only be corrected by an agreement to broadcast the full speech of Sir Geoffrey Howe, the Liberal.

Chrysler expects small 1977 profit

By Terry Dodsworth in Coventry

CHRYSLER U.K. expects a turnaround from losses of about £10m. this year to a small profit in 1977, if the present state of industrial peace is maintained. The expected profit was described yesterday by Mr. Don Lander, head of Chrysler in Europe, as "marginal".

But executives of the company were confident that it could be achieved if the full programme of 8,000 redundancies under the Government's rescue plan were implemented. The company was well on the way to the target.

Slim down

Under the Government rescue Chrysler will slim down to virtually half its size two years ago.

Recovery may be helped by the unexpected upswing in British and European car markets this year. All its sales targets were based on conservative estimates of demand, and capturing a market share of about 8 per cent. to get back into profit. But Chrysler believes it has the potential to achieve at least a 10 per cent. share of the British market.

The third factor in its revival plan is a series of new models, one, called the 424, said a surprise announcement, almost certainly a joint development by the U.S., U.K. and French companies.

The car, a development of the U.S. sub-compact model to be launched by Chrysler in the U.S. late next year, will have some common components and features, but is likely to use the Simca 1100 engine and running gear in Europe.

Face-lift

There will be a substantial face-lift for the Avenger later this year. By 1979 this will probably be replaced by a new medium-sized car.

Overseas the company expects an improvement next year, with the Iranian export programme building up again. This year, with development problems in Iran, exports will be only about \$0.000. In 1977 Chrysler expects them to reach 125,000.

\$ in New York

	March 26	March 27
1 month	\$1.914/\$200	\$1.912/\$200
3 months	\$1.914/\$200	\$1.912/\$200
6 months	\$1.914/\$200	\$1.912/\$200
12 months	\$1.914/\$200	\$1.912/\$200

32 toolroom men stay out at Leyland

BY ROY ROGERS, LABOUR CORRESPONDENT

BRITISH LEYLAND'S industrial relations problems intensified yesterday when 32 toolroom workers at the company's key SU Carburettor subsidiary in Birmingham decided to continue their pay strike, and lay off from this and two other toolmakers' strikes rose to almost 8,000.

The State-financed company has now stopped producing Triumph Stag, Spitfire, Dolomite and the 2000 range because of a strike by 350 toolroom workers at the Canley Coventry assembly plant, while Range-Rovers and Land-Rovers have been halted by a dispute involving 400 toolmakers at eight Rover plants in the Midlands and South Wales.

But the gravest threat comes from the SU strike which has halted supplies of carburettors used in all Leyland cars and petrol-driven vans as well as many vehicles produced by other motor manufacturers. Leyland has sufficient stocks to last the rest of this week after which widespread production difficulties and lay-offs are anticipated.

Before then, however, the strikers are expected to come under increased pressure from their own union—the Amalgamated Union of Engineering Workers—management and the Government. To-day's meeting with the AUEW executive could well prove a turning point.

Last week Department of Employment officials impressed upon Mr. Bob Wright, AUEW national executive member, that under the Government's counter-inflation policy there was no way next stage of the Government by which the strikers' 28-week pay policy due to be introduced in August is more flexible.

Against this background Leyland is to unveil its long-term rationalisation plans to senior shop stewards later this week although the changes over the coming year depends very much on the next pay makers in the Birmingham area.

Following yesterday's decision to remain out, shop stewards said SU members must for six hours without making an 18-month agreement.

Continued on Back Page

Pay parity

The strikers are protesting that management has not implemented a move towards parity with other Leyland tool-makers in the Birmingham area.

The company's rationalisation programme, which was agreed in principle last April as part of the company's rationalisation programme, was to give the SU workers an 18-month agreement.

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Once upon a Time

by B. A. YOUNG

Horlock, who directs *Victor's* and *Arbuzov's* *Once Upon a Time*, gives us an extra in which his assistant Kristofor, leaving the curtain *Victor's*, however, falls for Fiona Mathers set as we Fedya's tall, handsome son. To have the tabs rise Kuzma (Robert O'Mahoney), who is secretly competing against his father as a designer for a marionette version of Helen of Troy. Kristofor (John Cater) cooks luscious food for them all, tidies the studio, runs messages and acts generally as Fedya's confidante.

The effect is of a Diaghilev ballet with spoken dialogue. No one is believable, and the story is no more than a platform for the characters to act on. The essential moment at which Fedya believes Viktor to be accepting his hand when she is actually trying to tell him of her love for Kuzma is crudely contrived beyond belief. But there is a hyper-sentimental charm about the whole thing that is pleasantly cosy.

It's interesting, too, to see the unsuspected amenities of stage Moscow life. Fedya has a three-room flat, himself with his own bathroom, and he is still at school. Apart from the curious absence of radio or television, the place seems to be paradise.

The play is translated by Ariadne Nicolaeff, who has now done nine of Arbuzov's twenty pieces. Her lines sometimes sound as if she had made a hasty reference to Roget and come up with the wrong answer. "Beautiful and varied clothes," "Something entrancing about you," "I jumped from the second floor on my own initiative." Does Arbuzov sound so odd in Russian?



Felicity Kendal and Michael Hordern

Rattigan's theatre on Radio 3

25 p.m. to-night Radio 3 broadcast Rattigan's *Portrait of a Playwright* and narrated by Anthony. In this hour-long production, Sir Terence Rattigan, not more than 40 years, is a playwright from without Tears to his play *Cause Celebre*, repeated later in the week.

A taking part in the production include Peggy Ashcroft, Oliver, Emily Wilson, Alan Ayckbourn, Harold Sheridan, Morley, Coveney and Roger.

POSTAL AUCTION
Claret and Other Fine Wine

A recent big claret auction at Christies bears out the fact that the claret market is rising. The 1975 clarets so offered appear high in price. Older vintages purchased in the £5 was very much stronger are beginning to look reasonable in price at current levels. In Burgundy, it was a virtual write off and prices are sharply higher.

We are holding a claret and fine wine postal auction. Bids are returned to our office by 16th April. This auction gives an exciting opportunity of buying while the cat is still very low.

Bids are offered by post or in bond (for storage in owner's own name) in many instances.

See write for details and also for our full list and special list of unusual and interesting wines from smaller quality French growers.

It is an excellent opportunity to buy many other bargains at current duty levels before the Budget.

See send details of Postal Auction and Current Lists

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Waddington Galleries/Museum of Modern Art, Oxford

Keith Vaughan and Howard Hodgkin

by WILLIAM PACKER

Keith Vaughan has been one of the steadiest of our artists over the last 20 years. He established a reputation early, was bought by the best people, represented in all the important collections, and mentioned in all the books. But he was not celebrated overmuch, merely well-regarded. When the last generation of artists sprang into prominence, nor was he forgotten. His work has shown the same consistency as his career, with no sudden shifts or breaks, no radical new departures. It has remained ever unmistakably his own, undemonstratively idiosyncratic, and always rather distinguished.

From our vantage point, his work is no longer emphatically Modern, set as it is firmly in the European figurative tradition, in particular the classical strain of Poussin, and given a modern relevance first by Cezanne and then by the Cubists. Vaughan is a painter of Modernism, of course, and deeply informed and sympathetic; but it is a modernism that has now acquired the patina of old mastership. And yet, these orthodox and respectable affiliations notwithstanding, Vaughan is also palpably, peculiarly English in his work. He is an artist moulded by his times; and what we see in him, and his work, is post-Cubist classicism passed through the close filter of English neo-Romantic sensibility, such an important feature in the work of artists as various as Nicholson, Sutherland, Freud and Bacon.



Keith Vaughan: Les Illuminations de Rimbaud - Enfant (II)

The work now on show at Waddington, where it remains until April, is quite different from the contemporary standards, and all figurative, albeit sometimes rather remotely so. Collectively, however, the personal vocabulary of sign and image coheres into sense; and space, suggested rather than described, inhabited apparently only by simple blocks and strokes of colour, resolves itself into credible landscape. The human presence it supports is powerful and active.

Composition is solid and firmly structured, colour restrained, predominantly close-toned blues and greens, giving a feeling of darkness and heaviness to the work, belaying the fact that often a great deal of the white ground is left untouched. The handling is economical, laconic, sometimes to the point of indifference, but such generalisation makes simple blocks and strokes of colour, resolves itself into credible landscape. The human presence it supports is powerful and active.

Round House

Muldowney, Goehr, Rubbra

Imperilled by the 11th-hour indisposition of Vernon Handley, Sunday's Camden Festival concert was saved with admirable skill and courage by the Swiss conductor Michel Tabachnik, who led the New Philharmonia Orchestra in two of the works by three living British composers. Perspectives by Dominic Muldowney, the youngest of the three, was directed by the composer himself.

A further instalment in Muldowney's *Music of Charities* series, other parts of which having already reached London earlier in the season, this was a further coloured, deftly and lightly scored composition presenting easily graspable if somewhat insubstantial materials (tuneful melodies crossing Roy Harris-like bounciness with regally turn of phrase; Stravinskian "telescoped" harmonies; a crystalline murmur of chinking and clinking percussion) in clean-cut juxtapositions. The trouble, at a first hearing, was an apparent lack of continuity, the possible consequence of a somewhat nervous, jerky performance.

Much more meaty was Alexander Goehr's *Piano Concerto* (1972), played on a disgracefully tiny Steinway with, nevertheless, utmost eloquence and beauty of tone by Daniel Adni. The first movement is elusive, rich in ideas of a characteristically cool fertility but obscure in working, imaginative in its dextrous use of a classically-modelled orchestra yet never quite striking. The second movement, inserting scherzo-like episodes into a slow, rhapsodic meditation, is another story—full of stealthy shadowy lyricism that seizes the attention at every unexpected, keenly considered turn of phrase.

Mr. Tabachnik's piloting of soloist and orchestra through a by-no-means easy score deserves the highest praise—may be and Mr. Adni be invited by the orchestra to explore it again soon. A former Boulez assistant, he can hardly have conducted the music of Edmund Rubbra very often. The Second Symphony (1937), a homely, square, very English kind of Shostakovich (like the Russian's Fifth, one would say, except that the two are too closely contemporary for the likely traffic of influences either way), was driven with undiminished eagerness, far too angularly for the ruminative melodies to spread and grow. An improbable performance, indeed; but never unimpressive in control.

more immediately engaging. Transparent washes overlay crayon additions and emendations, taking the eye beyond the surface, just as the imagery seduces the imagination.

And very beautiful things they are. Through them we see the artist at work: thinking, choosing, changing, responding, always to the unexpected; the painter engaged in the strange processes of painting, and the opportunities it contrives.

Howard Hodgkin is a generation younger than Vaughan, yet stands close to him as an artist. Indeed it is remarkable how much of what has just been said applies to him. His work, by no means widely familiar, has been from the start the object of discriminate enthusiasm: it has remained small in size in the face of orthodox, and stylistically constant; and it too is cast in that figurative tradition, standing in the same relation to the heroes of Parisian Modernism. His work is more openly decorative, perhaps, for his acknowledged debt to Matisse rather than to Braque and Picasso, and rather less reserved; his paint is thick, lush, and brightly coloured. But he too simplifies the figure to a degree that will deceive the impatient, and he too is preoccupied with the space it commands, and the aura it casts.

It is Matisse of the Great War years, of *The Moroccans* and *The Piano Lesson*, whose influence is greatest, who celebrated the stances of the painter to adopt, both involved and detached, an ironical expressionism. Hodgkin manages rather well, handling his broad flat areas of paint with apparent casualness and even indifference, that yet belie the loose but sound organisation of space and image.

Again, the paintings gain strength and clarity in concert, always physically seductive, for colour and pattern, and indeed the substance of the paint itself, are deployed with obvious enjoyment; but together they go further, in mutual explanation of the visual language that they use. The interior space is defined by successive screens and arches, and beyond we glimpse a fragment of landscape. The heart of the tableau is occupied by what we realise are figures, reduced to the most simple terms, mere shadows; but they are strangely recognisable, and their domestic situation familiar and reassuring. Painting after all is not only about the command and manipulation of pictorial convention, but also about illusion and suggestion and imagination.

Howard Hodgkin's small retrospective exhibition remains at the Museum of Modern Art in Oxford until April 13, after which it comes to the Serpentine Gallery in London.

MAX LOFFERT

Albert Hall

Vienna Philharmonic

by RONALD CRICHTON

It was sad, approaching the Albert Hall on Sunday for the Vienna Philharmonic's second concert, to see a queue still waiting just before starting time, hoping presumably for lower-priced seats, then to go inside and find a number of the highly-priced ones unoccupied. The London concert public, by no means entirely composed of wealthy sheep, has its own way of reacting to severe demands on its purse, even if that means doing without Beethoven played by the great Vienna orchestra and conducted by Austria's Generalmusikdirektor, Karl Böhm. Nothing else about this memorably good concert was sad.

The published programme consisted of two symphonies, the Fourth and the Eroica. In the context of the strictly conventional programmes selected by the orchestra (or by the sponsors of the tour), Beethoven's Fourth, less popular anyway than it deserves, almost ranked as a daring departure from well-trodden ways. For the gesture we must be thankful—the playing was exceptionally live, well-balanced and well sprung, with a graceful tempo for the admirable finale, which still allowed strong tension to build up, and to wind down, no less momentously. Wind chording, impeccable in ensemble, was slightly sour in tuning. This may be the price to pay for the soloists' almost complete lack of vibrato—the clarinet's playing in the slow movement was so steady as to induce second thoughts about the greater "expressiveness" of our clarinetists.

shapely, lovingly but keenly controlled in a way that nevertheless encouraged a wide range of colour in the *marcia funebre*, with a fierce climax to the *maggiore* section, and much grandeur from the strings—a more versatile body than the conventional diaphanous about their lushness might suggest. The first oboe in the Eroica was different, I think, from the one at Saturday's concert (which I was lucky enough to hear as a guest) and his tone was sweeter. I would guess, however, from the inimitably perfectly clear chorling sound of his quick passages, that the flautist was the same.

The placing of the tympani on the left is very well for those on but side—the dry sound was most effective in the Eroica. The violas, sometimes inaudible from a right-hand seat in the Festival Hall, made a rich contribution on Sunday, though by some freak the sound appeared to come from another direction. Otherwise, the old master of Kensington was behaving well, full upper galleries only permitting the echo to peep out once or twice during the scherzo of the Fourth Symphony before scuttling away for good.

A programme of two Beethoven symphonies in readings so absorbing is enough for anyone, but the omission of exposition repeats in the Fourth seemed short measure. As compensation, we had a full-length encore in the *Meistersinger* overture, in which Böhm was able for the first time in the evening to display the uniquely rewarding sound of the Vienna Philharmonic in non-daytime music such as Wagner. Enormous enthusiasm.

Camden Festival

Telemann

By 1762 Handel was dead, J. S. Bach was almost forgotten, and Haydn had about 20 symphonies behind him; the musical baroque was a thing of the past. Yet in Hamburg, enjoying a long Indian summer as successful and honoured old man, Telemann was (in spite of failing sight) still composing *Fassons* and *Oratorios* for the town where he had held a virtual monopoly of musical events for 46 years.

put one on the side of the angels, as the sanctimonious divisions of Faith and Religion (Eldwien Harby in bright but slightly brash voice) and the warnings of Reason (a very operatic Anne Collins) were far less attractive.

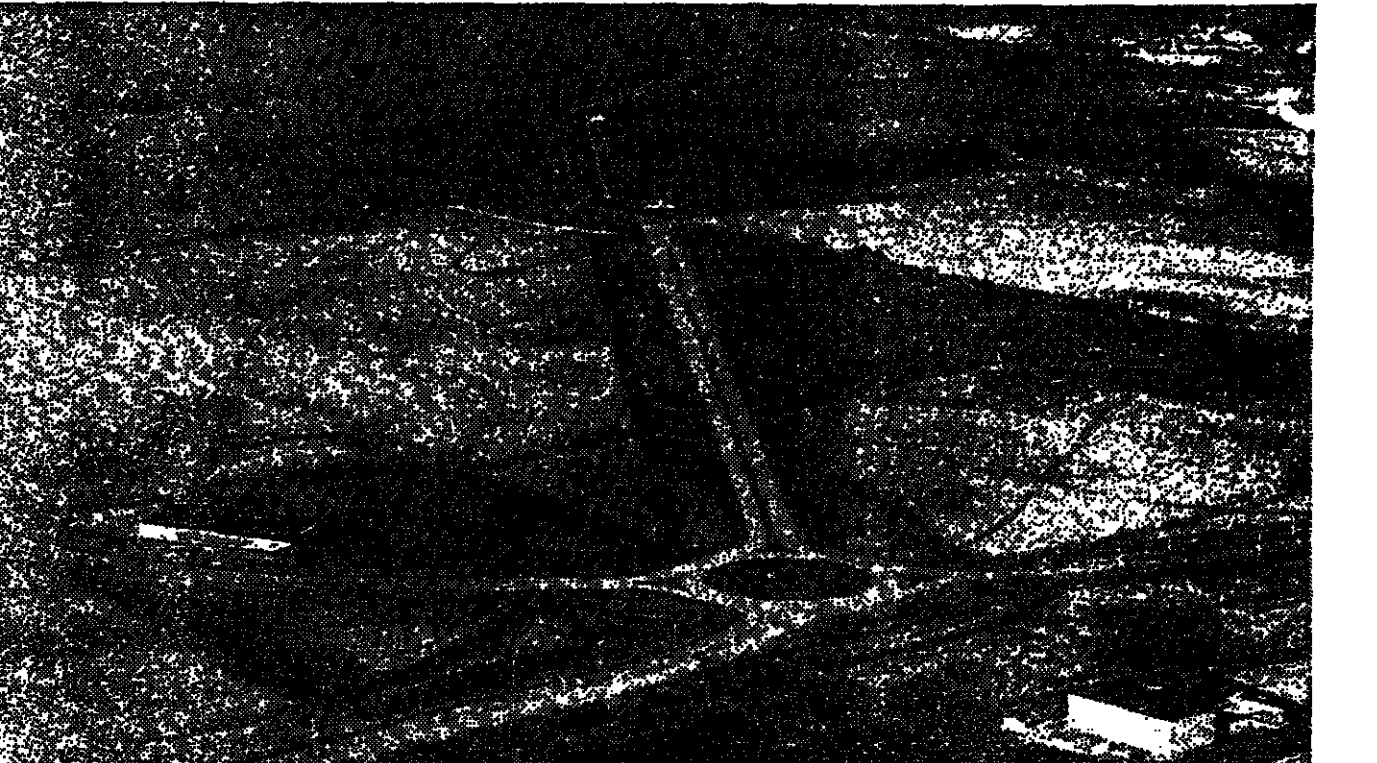
With the appearance of Christ himself in the third part, and the central chorale of the believers (deprived of its effect here by being treated quietly, without instruments), all force goes out of the music; even Mr. Keyte could not make Jesus's denunciation of the godless anything but a display of mild pique. The fourth part is then merely a succession of pleasant meditations by the Blessed—an excuse for some outstanding singing by the soloists—and some noisy and triumphant choruses for all (including a good soprano echo in the choir). Brian Wright made the whole remarkably effective, controlling tempi well, and keeping the tension alive. His orchestra was neat but over-melodious in even the most tempestuous moments: one longed for the reedy sound of more authentic instruments.

Not, then, a profoundly religious work which would encourage instant Lenten repentance, but rather a good evening's entertainment. It certainly deserves a BBC recording by these forces.

This lively and excellent performance made out as good a case for the work as is possible. The cynical, unbelief and mockery of the first part (sounding like Pergolesi *opera buffa* and Stamitz symphonies) and the devastation and turmoil of the second part (C. P. E. Bach-like music here) were nicely characterised by Christopher Keyte, Alan Eyer, and the very well-drilled chorus. But it hardly

NICHOLAS KENYON

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Elizabeth Hall

Myung-Whun Chung

Like Mitsuko Uchida, whom I reviewed on this page last week, the young Korean pianist Myung-Whun Chung gave much less than his best during the two final rounds of the Leeds Piano Competition last year. At her London recital, Miss Uchida revealed herself in quite different colours as a pianist of already quite exceptional stature; Mr. Chung too, on Sunday afternoon, showed us that he is capable of fine things in the concert hall—even if as an artist, he is as yet less fully rounded, fully formed.

He is a prodigiously well-schooled pianist. Nothing in his programme—from the large scale rigours of Beethoven's Waldstein sonata to the more delicate but no less exacting demands of Debussy's *L'isle joyeuse*—seemed to tax his fingers unduly. The sound was never less than bright, clean and clear; in the *Adagio* of the Waldstein, and in the slow movement of Haydn's little G major sonata no. 6, the balance of

pianissimo tone-colour was ravishing. Only at the biggest moments did the playing lack a certain physical weight, and therefore physical excitement; it was otherwise a constant model of neatness, clarity and precise design.

Perhaps even too well-schooled. Superbly proficient as they were, each one of his performances had more the air of a beautifully learned lesson than any kind of personal vision or testament. I found no sense of risk, or combat, or engagement in the playing—in Chopin's first or third Ballads an almost overwhelming sense of neat finger-work, but little of grandeur or poignant sentiment. A pair each scale, rigours of Debussy were immaculately presented, perfectly soignée, every hairline and nuance perfectly in place—but sensuously blunt-edged, drawn without electric thrust, buoyancy or sparkle. Strange recital: on one level so fine, but another, more important still, so anonymous.

DOMINIC GILL

Japan will discuss U.S. steel quotas

BY PETER DUMINY

THE JAPANESE Government has told the Americans and the GATT Secretariat in Geneva that it is ready to discuss American proposals to restrict imports of special steel.

However, the Japanese have emphasized that this does not mean they are willing to negotiate an orderly marketing agreement—which was what President Ford proposed on March 16, when he issued an ultimatum that import quotas will be imposed on three categories of special steel on June 14, if by then there have been no bilateral agreements with Japan, the EEC and Sweden restricting supplies to the American market.

The Japanese Government has also insisted that talks should be in the context of each country's commitments to GATT, adding that Japan does not concede the principle that an orderly marketing agreement between two or more countries is permissible under GATT.

At this stage, therefore, it seems that the Japanese strategy will be to try to head off a formal, public inter-governmental agreement on special steel—which would be seen in Japan as a dangerous precedent with implications far beyond any immediate impact on exports of stainless and tool steels (quite negligible items in world trade).

It is a matter of opinion whether this approach is more conciliatory than that adopted by the EEC, which informed Washington last week, in effect, that five-year quotas are based on the imports of the items from 1970 to 1974, and would be 146,000 tons a year. However, the

TOKYO, March 29.

The official MITI spokesman says this appears to be unfair and discriminatory. Japan is also unhappy about the fact that restrictions would apply to a handful of suppliers, not all. For instance, Canada will not be affected.

Japanese exports of the three categories of special steel were 78,000 tons last year. The peak was 94,500 tons in 1971, after which exports dropped off to 37,500 tons in 1973.

On balance, the Japanese would in all probability be happy enough to settle the issue by means of so-called voluntary restraint in which neither Government is officially involved. However, it is apparently impossible for the Americans to edge towards such a compromise. In fact, the

main reason for the problem seems to be that the American courts have made mincemeat of industry agreements to restrict trade under anti-trust legislation.

AP-DJ reports from Brussels: The U.S. and its major special steel suppliers, the European Community and Japan, will discuss on April 5-6 in Paris an "orderly marketing" arrangement to limit exports of stainless and tool steels to the U.S. market.

Record colour TV output

TOKYO, March 29

THE PRODUCTION of colour television receivers totalled a record 757,000 units in February, up 23.4 per cent. from January and 91.7 per cent. from last year, the Electronic Industries Association of Japan said today. An Association spokesman said brisk exports were behind the sharp rise in production.

Exports of Japanese colour television receivers were listed as 300,333 units in February, up 114.4 per cent. from last year. Exports to the U.S. were 136,368 units during February, up 260 per cent. from a year earlier. Overall shipments including domestic sales during February were listed as 593,000 units, up 13.7 per cent. from January and up 44.3 per cent. from last year.

in accordance with GATT, but at the same time is prepared to listen to anything the Americans have to say on the subject.

The Ministry of International Trade and Industry says that apart from the principle at stake, it is also unhappy about the arithmetic that has led to the American International Trade Commission to propose overall 47 per cent. (58,000 tons).

U.K. exports to Taiwan expected to increase in next two years

BY CHARLES SMITH

TAIPEI, March 29.

THE TAIPEI office of the Confederation of British Industries, which has been assuming a gradually higher profile since the severance of Britain's Consular relations with Taiwan in 1972, was quietly renamed the Anglo-Taiwan Trade Committee at the beginning of February. The committee has a head office in London chaired by an executive of Lazard and a representative office in Taipei with one full-time U.K. executive.

Its function is to help U.K. businessmen who may come to Taiwan as would-be exporters or investors and to provide a flow of information about selling opportunities in the island. Britain's exports to Taiwan last year were worth \$33.3m, according to the U.K. figures (but over \$58m according to the Taiwan Government figures which include some goods re-exported from Hong Kong and Singapore as well as exports of ships for ship-breaking).

U.K. export earnings from Taiwan are expected to rise sharply in the next couple of years as the Taiwan railway electrification contract won last year by GEC, and estimated to

be worth a total of around \$70m, begins to show up in the export figures.

The combination of a low profile or non-existent official presence and rather active business contacts which characterizes U.K. relations with Taiwan is paralleled with most other Western European countries and Japan. West Germany, whose exports to Taiwan last year were more than double Britain's, has a "Sino-German Cultural Institute" in Taipei whose activities evidently go well beyond culture. France is represented by Clave, a consortium of leading French banks which has, according to Taiwan Government sources, "helped" Taiwan to raise loans in France.

Japan's representation in Taipei is called simply "Interchange Association" but is staffed by 12 officials seconded from the Ministry of Foreign Affairs, Trade Ministry and other Government departments. The Interchange Association had its first meeting last month with the "East Asia Relations Association," which handles bilateral relations from the Taiwan side. Previously there had only been "unofficial" meetings.

The Taiwan Government appears to have two basic objectives in conducting its overseas trade relations: first, to obtain better access to government funds with which to develop its trade away from Japan towards Western countries. The access problem appears to be acute in the case of the EEC Commission which now has close relations with the Republic of China through the Chinese ambassador accredited to the Commission.

Taiwan claims to have been harshly treated by the EEC in the allocation of textile import quotas and in the decision to exclude it from benefits under the GSP system of tariff preferences for developing countries.

The Deputy Director General of Taiwan's Foreign Trade Board, Mr. H. K. Shao visited the U.K. last November and plans to go to London again in May in order to discuss the textile issue. Mr. Shao said he found difficulty in contacting officials of the Department of Trade during his November visit but was able to hold some "informal talks". In the meantime, Taiwan has been permitted to open a trade office in London under the name of the "Majestic Company," which is nominally independent but in fact has close links with the Foreign Trade Board.

The Taiwanese claim to be giving preference to non-Japanese suppliers in the award of some major capital goods contracts. Taiwan also appears particularly keen to attract European industrial investment so as to reduce its present heavy dependence on Japanese and American investors.

One of these will be a 100 per cent. owned Dulux paint plant while the other is a joint venture project with a Taiwanese partner for the production of methylmethacrylic monomer. ICI's total investment in the two plants will be in the neighbourhood of \$8m.

Taiwan's overall exports last year were worth \$5,300m, down 5.8 per cent. from the 1974 figure while its imports were down 14 per cent. Exports this year, however, have so far been expanding sharply and two-way trade for the year could rise above \$13bn, according to preliminary estimates.

Taiwanese trade officials claim on the strength of figures that the country's import market is the second biggest in the Far East after that of Japan.

Greece angry Romania sign trade agreement

By Our Own Correspondent

ATHENS, March 29. GREECE and Romania signed a long-term agreement of economic, industrial, technical co-operation and new bilateral trade agreements which, it is expected, will double double within the next years.

The agreements were signed at the end of a three official visit to Greece by Romanian President Nicolae Ceausescu during which he talks with Premier Constantinos Karamanlis on bilateral international issues.

The long-term economic, industrial and technical co-operation covering period 1976-80 and lasting 10 years, is the most favoured and

economic co-operation include the installation of industrial units and the creation of existing ones, and production of goods for all third countries, the signing of joint companies for manufacture of goods, their distribution, exchange of know-how and technical information, exchange of information in the field of culture and stockbreeding co-operation in the field of agriculture, chemicals, electronics.

As a first step in this direction, the two countries (which belong to shipping group Stavros Niarchos) will in 1976, provide knowledge shipbuilding, and under the building of vessels by Romania, Greece and Ceausescu visited the outside Athens last Saturday.

The new bilateral agreement foresees exchanges worth \$90m. by Main Romanian products imported by Greece will include petroleum, grain, timber, vehicles and gas machines, metallurgical ducts, livestock and meat, chemicals.

An official communiqué issued today said that President Ceausescu and Premier Karamanlis expressed concern over the situation in Cyprus and were in favour of the continuation of the communal talks on a constructive basis for the finding of a peaceful solution.

An investor's guide to IC Industries.

Our first love.

Until 1968, for 117 years, our only business was our U.S. railroad, the Illinois Central.

It was the Illinois Central that provided us with the foundation to diversify and grow—in eight years—from a \$300 million regional U.S. railroad to a \$1.5 billion international multi-business corporation.

Today, our Illinois Central Gulf Railroad is still the "Main Line of Mid-America"—our heritage.

And then along came Abex.

In December 1968, we acquired the Abex Corporation and formed a Commercial Products Group.

Sales and earnings for the group have more than doubled during the past four years. In 1975, Commercial Products sales, primarily by the Abex Corporation, were \$541 million. Pre-tax income reached \$55 million. Both were new records for the fifth consecutive year.

Abex Castings—products for nuclear power plants, the petrochemical industry, steel mills, mining and general industry—contributed sales of \$182 million in 1975.

An example of Abex casting technology is the world's largest, single-cast, manganese-steel, power-shovel dipper. This giant 19-cubic-meter dipper, used in copper mining in the Western United States, is the first of several on order for delivery through 1977.

Abex Railroad Products—specialty trackwork and rolling stock components—contributed sales of \$139 million in 1975.

The Abex Samson railroad brake shoe, a technologically superior, longer-lasting, spark-retardant product, was selected this year as the new standard for freight cars by the Association of American Railroads.

Abex Automotive Products—friction braking materials, tire molds, lighting systems and hardware for automobiles, trucks and buses—contributed sales of \$131 million in 1975.

Abex, the world's largest manufacturer of friction braking materials, now tests those materials at the world's largest and most comprehensive dynamometer test center,

our new facility at Mahwah, New Jersey, U.S.A.

Abex Hydraulics—pumps, presses and motors for construction, food processing, marine, aviation and general industry—contributed sales of \$89 million in 1975.

Liquid assets.

Our Pepsi-Cola General Bottlers organization is the second-largest independent Pepsi franchise in North America. In every market we serve.

Pepsi is the number one cola in food store sales.

We also own the Bubble Up lemon-lime and Dad's Root Beer companies, which manufacture and sell soft drink concentrates to 319 franchised bottlers worldwide.

Together, the sales of these three soft drink companies were up 10% in 1975, to a record volume of more than \$149 million.

The Midas touch.

In January 1972, IC Industries acquired Midas-International Corporation, the world's leading specialist in auto silencer systems, with annual sales of \$78 million.

In 1975, four years after the acquisition, annual sales reached \$160 million. A 105% increase as an IC Industries company.

In 1974, we added 52 Midas shops worldwide. In 1975, 80 new shops were opened. In 1976, 75 more are planned.

Midas is also one of the leading builders of recreational vehicles in the United States.

In 1975, our Midas Mini Motor Home sales were more than the five previous years' sales combined.

Our international affairs.

In 1975, IC Industries' international sales reached \$175 million. A 298% increase in seven years.

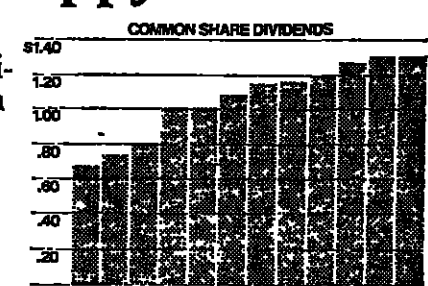
Our sales outside the United States include Abex automotive and railroad products, castings and hydraulics in Western Europe, India, Brazil, China, Great Britain and the Soviet Union; Midas silencer systems



in Canada, England, Belgium, France and Panama; and Dad's Root Beer and Bubble Up concentrates in 19 countries.

Many happy returns.

We have increased our dividend on common shares in nine of the past 12 years, from 67 cents in 1964 to the current \$1.30.



Our size hasn't gone to our headquarters.

For a corporation with sales in excess of \$1.5 billion, we operate with a small corporate staff—Chairman William B. Johnson, President Stanley E. G. Hillman and only 84 others. We're lean. We like it that way.

It is a matter of business philosophy in which we take considerable pride that the best decisions are most often made at the operations level.

Our various company directors and executives manage their companies with a minimum of supervision by the corporate staff.



Stanley E. G. Hillman, President

The rest of us.

There's a lot more to IC Industries. Our Illinois Center lakefront development in Chicago, Illinois: our LaSalle Properties venture in New Orleans, Louisiana: our two insurance companies, Lincoln Liberty Life and Midwest Life Nebraska: our H.F. Philipsborn & Co. mortgage banking facility; and a portfolio of other profitable interests. If you'd like to know more about us, write: IC Industries, Inc., 55, chemin Moise Duboule, Petit Saconnex, CH-1211 Geneva 28, SWITZERLAND.

Effective March 31, The Stock Exchange in London lists IC Industries.

IC Industries

Diversified in five business groups: Commercial Products, Consumer Products, Real Estate, Financial Services and Transportation.

W. German-USSR trade

West Germany could double its total trade with the Soviet Union by 1980, West German Economics Minister Dr. Hans Friderichs said in Moscow yesterday, Reuters reports.

Herr Friderichs said that trade with Russia last year totalled over DM10bn. (\$6bn.), which was over 25 per cent. more than in 1974 and the trend seemed to be continuing. "In 1980 trade will probably have gone through the DM10bn. barrier," he said at the opening of a two-week West German exhibition of metal processing equipment in Moscow.

The association cited good sales to all major destinations for the February export gains. Exports to the U.S. more than doubled to 131,667 units from 58,732 units a year earlier. Export shipments to

other markets including Australia, Middle East and West European countries showed a significant improvement.

Leyland contract

Orient Leasing Company, its Singapore subsidiary, O Leasing Singapore (PTE) concluded a three-year contract for 90 British Leyland buses to the Singapore Service, Reuters reports.

Tokyo. The contract will be valued at \$80m. Orient Leasing is a Singapore subsidiary of Hong Kong, Malaysia, Korea, Brazil, Indonesia, the Philippines and Singapore.

Whisky plant

Seagrams Ltd. of Canada, Stellenbosch Wine Trust Ltd. studying a project to produce whisky in South Africa. Stellenbosch Wine Trust managing director Lothar Bargh announced Reuters reports from Stellenbosch.

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NEW YORK, March 29.

£40m. 'safety net' for Caricom states

PORT OF SPAIN, March 29.

Mussain in Washington without a fanfare

WASHINGTON, March 29.

Indicators rise by 0.8%

U. S. index of leading economic indicators rose by one per cent in February of 1937. According to preliminary figures, the index for the Commerce Department is more or less in line with the administration's expectations. In fact, the Commerce Department also announced today that the annual 2.2 per cent gain achieved in early 1937, on revision, is as good as guaranteed on incomplete figures. January gain has now scaled down to 1.5 per cent because of the negative effect of the statistics on new housing formation.

Methods of statistical gathering of statistics are better than appears emerging. Returns for first two months of the year had suggested that the economy was growing much more rapidly than anybody, including the administration, had expected, with sales rising sharply, unemployment dropping abruptly and the inflationary picture seemingly remarkably stable.

Although the economic prognosis remains good, there is evidence that the first couple of months of the year may have exaggerated the improvement and that the medium trend in reality is what the Government had predicted it would be—one of respectable, but moderate growth.

The February indicators showed eight components rising going up and three going down. Year-to-date performance (that is sales) was the strongest plus and a decline in total liquid assets the biggest minus.

Showdown between Jackson and Carter

corny" for many voters. Despite these handicaps, he will make an effort to maintain his momentum and pick up a share of the delegation. Some of the trade unions that support the Democratic gubernatorial campaign in 1972 have been helping Mr. Carter without formally endorsing him. For example, Mr. Leonard Woodcock, head of the United Brotherhood of Auto Workers, provided money and organizational help in Florida. Mr. Woodcock might personally favour a more obviously liberal candidate, but would like to see the "Mr. Smiley" Sen. Jackson win as a conservative for Mr. Woodcock and his friends because of his unyielding cold war foreign policy.

The Florida primary also showed that Mr. Carter can appeal to the white conservative vote. The leader there, complained that

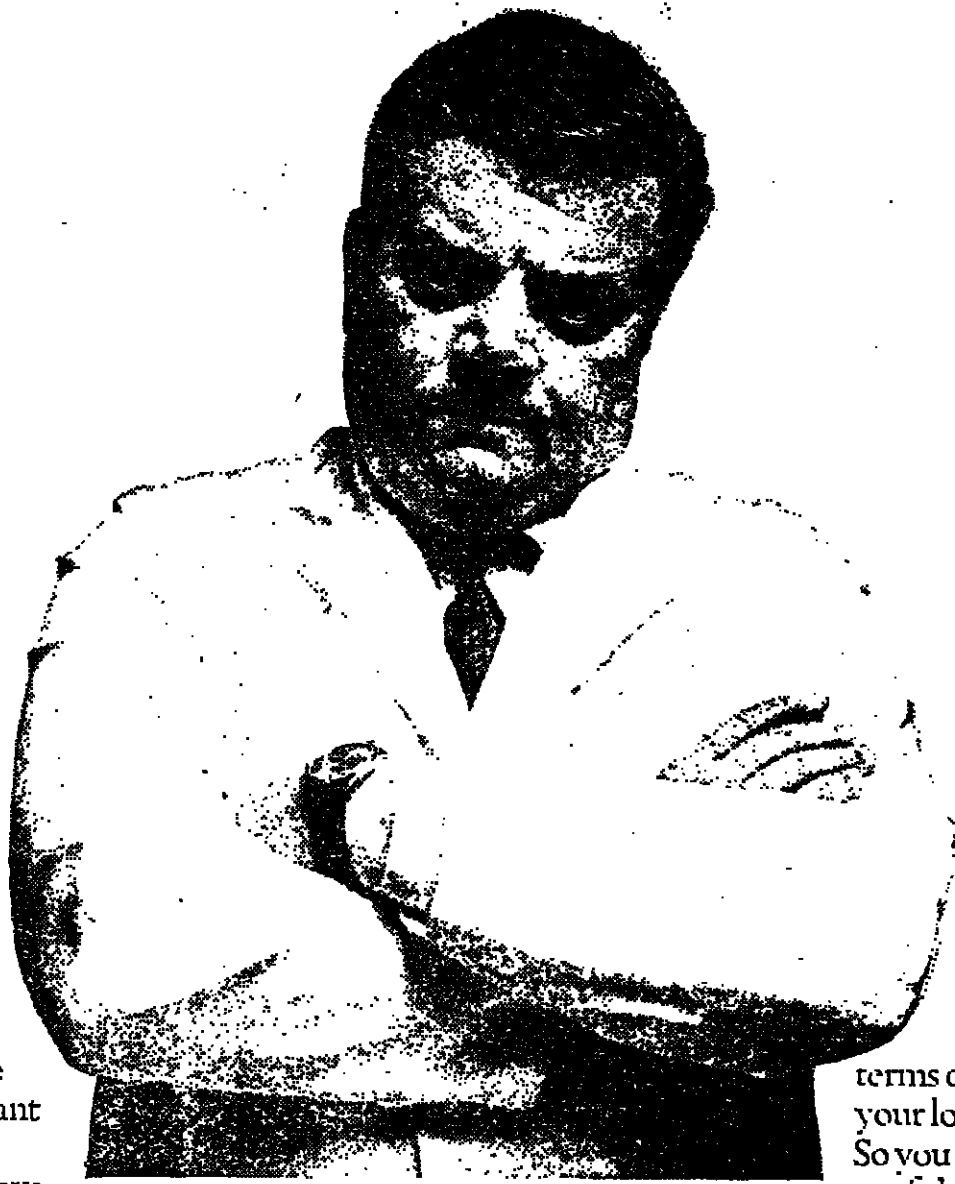
Washington support that Governor Wallace has traditionally received. The Wallace campaign has run into serious trouble in the South, where the white state legislatures in 24 of the 38 districts have refused to accept the results, a process which requires 1,250 signatures of registered Democrats in each district. Those who refused to accept the results obtained enough valid signatures, accepting the names of people who were not registered, or who did not live in the district. Mr. Wallace's campaign in New York, has been questioned by the State Board of elections about allegations that some signatures were forged.

Asked if the Wallace campaign was collapsing, Mr. Dan Williams, who heads it in New York City, said "It's just a matter of time." There may well be dates on the ballot.

Mr. Carter is the most likely

Most liberals had supported Mr. Birch Bayh, the Indiana Senator. When he dropped out of the race after his dismal showing in the primary, his liberal supporters drifted to Representative Morris Udall, the leading liberal candidate. He had not entered candidates in 24 districts, and needed the Bayh candidates in other districts in order to win statewide. But the tiny Bayh leaders did not move to Mr. Udall, who fails to fire the enthusiasm of the liberal left. His actual agenda proved a whor-

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HOME NEWS

Quick move likely to stop big oilfield rates charge

BY CHRIS SAUR, SCOTTISH CORRESPONDENT

THE GOVERNMENT is expected to take prompt action to exempt the country's offshore oil and gas installations from huge local authority rate demands following yesterday's announcement that the U.K.'s largest operational oilfield, BP's Forties Field 110 miles off the Scottish east coast, could be faced with an annual bill of at least £8.5m.

Grampian Region's assessor, Mr. H. B. Sturgeon, confirmed that he was placing the Forties Field on his valuation roll. His assessment of its rateable value was £3.5m, which reflected the fact that only one of the field's four fixed platforms was producing oil.

The pipeline from the oilfield to the Grampian coast at Cruden Bay would also be rated, as was the company's land-line to its Grangemouth refinery on the Forth Estuary. Grampian Region's total income from rates at present is about £30m.

The Grampian move follows a similar decision by the local regional assessor, Mr. James Thomson, at the end of last

month to place Shell's Auk Field and Hamilton Brothers' Argyll Field on his valuation roll. He stated that his final assessment of those oilfields could be astronomical, possibly running into millions of pounds.

A legal test case on the Five decision is now likely to be argued before judges of the Inner House of Scotland's Court of Session in Edinburgh. It is expected that the decision will be accepted by the Scottish Land Valuation Appeal Court, which would normally hear the case.

Although the Scottish Office said merely that it was "watching the situation closely", there were the strongest indications yesterday that the Government would take immediate action to plug the legal loophole if the Five test case resulted in the oil companies being found liable to pay industrial rating. They are not clear either, in BP's case, how the actual assessment has been calculated. For an industrial installation ashore the valuation is normally based on a complex and evidently often arbitrary calculation of a market rent for the installation.

British Petroleum made no statement apart from acknowledging that the Grampian rates demand, effective from the first delivery of Forties oil production last November, had been "on the cards" for some time.

Neither the company nor Government Departments in Scotland appear aware of the basis on which the assessors seek to extend offshore the conventional principles of land-based industrial rating. They are not clear either, in BP's case, how the actual assessment has been calculated. For an industrial installation ashore the valuation is normally based on a complex and evidently often arbitrary calculation of a market rent for the installation.

Such a test case would set a precedent not only for companies operating about 40 major gas-field installations off the Lincolnshire coast; it would also cover about 10 of the largest oil fields being developed in the U.K.

A £6m. project to save energy and a British initiative "in the field of conservation. Fuel savings were expected to recover the £6m. cost in well under two years.

Under a previous contract, Honeywell implemented a T.S. designed and developed control system, which reduced fuel costs by an average of 25 per cent.

Installations in PSA buildings have given proven fuel savings of £300,000 a year, and a return on investment of 100 per cent according to the first report on energy conservation by the Select Committee on Science and Technology.

The new contract, awarded after competitive tender, calls on Honeywell to provide equipment, organisation resources and services over a three-year period.

Mr. Ron Austin, commercial division director, described the contract as "a new departure

Cambridge economic findings challenged

By Our Economics Staff

THE prospects for the U.K. economy to 1980 are significantly better than suggested over the week-end by Cambridge economists, according to another independent forecasting group's views, published yesterday.

According to the Economics Models Group, a target of 750,000 unemployed by 1980 would require an average growth rate of gross domestic product of 3.4 per cent a year from 1975 to 1980, not the 5.6 per cent postulated by Mr. Wynne Godley and his colleagues.

On the other sensitive area — imports — the Economic Models Group argues that the growth rates required to sustain various possible paths of GDP are significantly less than suggested by the Cambridge group.

On the assumption of 750,000 unemployed by 1980, for instance, the Economic Models Group sees a range of growth of imports and services of between 2.4 per cent a year and 3.5 per cent — against 14.1 per cent suggested by the Cambridge economists.

Experience

Instead of assuming a dramatic deterioration from recent trends, the Economic Models Group bases its forecasts on the experience of the period 1953 to 1975.

Statistics over (this) period suggest that a growth of 1 per cent in manufacturing production will produce a growth of around 1 per cent in imports of basic materials and semi-manufactures, but a growth of 1 per cent in manufacturing production will cause a growth of around 1.9 per cent in imports of finished manufactures.

The Economic Models Group sets rather more store by North Sea oil than the Cambridge economists. And they conclude: "Starting from the same analysis of the problems facing the U.K. as that of the Cambridge Economic Policy Group, we are far from gloomy concerning the prospects facing the U.K. in the years to 1980."

Leaderflush directors face 'quit resolutions'

By Michael Cassell, Building Correspondent

RESOLUTIONS CALLING for the removal of three directors of Leaderflush (Boors) Ltd. are being tabled at the Nottingham-based company's annual general meeting.

A short statement from the company yesterday said that the meeting would consider the resolutions from the Board of Mr. Geoffrey Simon, the Leaderflush chairman, Mr. D. J. Sawyer and Mr. W. R. Starkey. Shareholders would also be asked to elect two new directors.

Mr. N. V. Hainlight, the company's deputy chairman and managing director, and Mr. Simon declined to comment on the resolutions. Mr. Simon said that he expected to be able to make a statement soon, possibly to-day.

Several Board changes have been made over the past year and of the three directors whose removal is being sought only Mr. Starkey has been a Board member for more than a year.

Mr. Simon joined the company as chairman in the middle of last year, after Mr. Cyril Rotheroe resigned.

In the half year to June 30, 1975, the trading profits of Leaderflush totalled £15,385 on a turnover of £37,899, up on a turnover of £463,975 the previous comparative period.

The extra-ordinary general meeting is being called under a section of the 1948 Companies Act which empowers anyone with a minimum 10 per cent shareholding in a company to convene such a meeting.

Roads busier with BR rise

ROAD TRAFFIC in London was heavier yesterday, the first working day since rail fares were increased, according to the RAC.

It is meant that more commuters were taking to the roads to combat the high cost of public transport. It added, RAC patrols reported long tailbacks on the M1, M2, M3 and M4 motorways.

SNOW REPORTS

Depth of snow in U.K. weather stations: 10-15 cm in the north, 5-10 cm in the south. Wind: light to moderate. Temp: 0-5°C.

Forecast: More rain and snow possible over the next few days. Wind: strong to gale. Temp: -5 to 5°C.

Notes: 1. The snow report is based on the latest available information. 2. The snow report is based on the latest available information. 3. The snow report is based on the latest available information.



Mr. John Caines, right, Under-Secretary at the Department of Trade, welcomes Sheikh Abdullah Ali Reza, leader of a Saudi Arabian trade mission.

Brush hopes Romanian contract will open new markets

BY OUR INDUSTRIAL STAFF

A CONTRACT under which the work with Electropure, in is being undertaken by British companies.

Once the present contract is completed, Hawker Siddeley has "high hopes" that co-operation with the Romanian manufacturers will continue.

Hawker Siddeley company, announced last night that the first of 30 locomotives assembled in Romania for British Rail was now ready for trials.

When the £8.4m. order was won in 1974, Hawker Siddeley said it did not have capacity available in the U.K. to assemble 70 per cent of the components of the locomotives and had placed

the work with Electropure, in is being undertaken by British companies.

Mr. Peter Shore, Trade Secretary, has stressed the importance of Britain's gaining a greater share of the expanding world market for rail equipment which, according to a Department survey conducted in 1973, was worth around £400m. a year.

Of the 30 locomotives under agreed to co-operate in forming a body which will promote manufacture and sell to markets to which we do not have access," said the private sector.

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BUPA rate up to meet NHS costs

By Eric Short

THE BRITISH UNITED Provident Association, a medical insurance agency, is introducing new levels of benefit, with correspondingly higher premiums, so that subscribers' insurance contracts will cover the 30 per cent increase in pay-bed costs in the National Health Service, effective from next month.

BUPA says in a letter to members that the present levels of benefit will no longer be adequate to cover the weekly cost of a private bed in the NHS. Subscribers should increase the amount of cover as soon as possible.

BUPA's medical insurance contracts provide for cover against cost of hospitalisation on a weekly basis. Various levels of cover are available to meet the different scale of charges between various types of hospital.

The subscriber decides which level he wants, paying the appropriate premium. Thus when charges are increased the subscriber is under-covered unless he takes steps to bring the cover to the new level.

The three new levels introduced by BUPA provide cover for pay-beds in the three categories of NHS hospitals: general, provincial teaching and London teaching. The levels are £245, £267 and £243 a week, compared with £210, £224 and £259 previously.

Not yet

The premiums depend on the age of the subscriber, but for husband-and-wife cover, where the ages are 30-49 the monthly subscriptions will be approximately £13, £14.50 and £17, compared with £11, £12 and £14.

Subscribers need not raise their premiums yet if they would use private hospital accommodation rather than NHS. The cost of beds in the Nuffield Nursing Homes Trust, a charity sponsored by BUPA which operates 37 hospitals, is not yet putting up its charges.

An official of the charity said that the previous increase was last August. The trust was preparing budgets to be considered by its Board of Governors in May. An increase in charges some time this year was almost unavoidable.

Subscribers to Private Patients' Plan, the second largest medical insurance agency, will not be faced with an immediate increase in premium to maintain cover.

PPP's Masterplan provides cover on a yearly basis, £10,000 maximum cost in the policy year. The company will review the subscriptions under these plans in the light of increased charges.

Subscribers with Western Provident will receive letters asking them to increase their cover similar to those sent out by BUPA, but longstanding subscribers will be treated sympathetically over claims if they are under-covered during the remainder of the current policy year.

Another point is that glass is made from materials which can all be found in the U.K., excluding the energy used in the heating process. Raw materials for cans and plastic containers are mainly imported.

What the manufacturers hope to achieve in the first year is a cure for the "guilt complex" which their market research shows is very widespread among users of glass containers.

Mr. Vic Hender, managing director of United Glass, foresees a world-wide trend during the next few years.

This is one of the points to be made in the industry's campaign, which will last three years and will cost about £300,000 a year.

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Quiet family man into red hot agitator

In factories all over Britain this summer men on shop floors will become agitated and bloody minded.

Productivity will melt, industrial relations will slip in sweaty atmospheres of stifling heat, fumes and the stench and racket of machinery.

Bad working conditions can frustrate even mild men into trouble-makers.

There is a simple decision management can take to avoid this situation. Improve working conditions with good ventilation.

A Colt ventilation system will keep your

factory at its most productive, give your workers back their self respect, and protect their health.

Every summer we handle hundreds of emergencies like this where workers have forced management to act.

It would be so much better if management acted first.

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Colt International Ltd. (Heating, Ventilation and Industrial Access), Havant, Hants. Havant 6411. Telex: 86219.

People work better in Colt conditions.



HOME NEWS

North Sea 'must meet U.K. needs of refined oil'

BY RAY DAFTER, ENERGY CORRESPONDENT

THE GOVERNMENT has told oil companies it wants to see up to two-thirds of North Sea oil production refined in the U.K. and Britain to be self-sufficient in oil, especially for aviation kerosene, the raw material for chemicals, and petrol.

North Sea oil is basically a low sulphur, high gravity crude which is much valuable than the heavier grades produced in the Middle East. Some oil companies have said, therefore, that Britain should export a bigger percentage of the higher-priced crude to continental Europe, where refineries on imported heavier oil.

Mr. Ray Willmott, a Permanent Under-Secretary at the Department of Energy, told the American National Petroleum

The Government hoped to achieve a voluntary agreement with oil companies over the implementation of these policies, but "direct measures" would be taken if necessary.

North Sea oil was a new supply seeking to enter a market in surplus. There was a temptation for oil companies to treat it as a marginal supply and price it accordingly. That could mean a loss of tax revenue for Britain, and if the oil was exported, a loss of foreign exchange.

"If it turned out that we had been paying more for imports than was yielded from our own exports high quality crude, that would certainly be intolerable."

It was accepted that there might be a conflict of interest between the State and the oil

ducers Association in San Antonio yesterday, that the Government is in a "not so acceptable situation" in a country which was short of raw materials and which had been "plagued" the years with insecurity of supply.

It was envisaged that up to one-third of domestic production would be sold to the Government until the time when offshore output reached national demand.

Companies: "What is good for Exxon, for example, may not be good for the rest of the country," might possibly be good for the U.S."

Nevertheless, closer supervision of oil company operations by government, particularly with growth of controls, should not be damaging to the companies' interests, he said wisely.

● A RESCUE exercise simulating an oil rig disaster in the

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New energy crisis 'could come by end of century'

BY OUR GLASGOW CORRESPONDENT

ANOTHER ENERGY crisis more complacent in our use of oil could occur by the end of this imported oil.

Century "unless an effective effort was undertaken, given a breathing space, but the

cluding diversification and an investigation into other forms of energy investment. Mr. Geoffrey Chandler, a director of Shell International, told Glasgow members of Commerce yesterday.

"I am not predicting a crisis, but if one took all the trends, the real question now is whether we are going to be able to use it," he said.

He did not think that the lessons of 1974 had been learned to any significant degree and there would have to be further investigation into alternative sources of supply.

Later, Mr. Chandler said he

Other Home News
on Page 27

"One could say that the crunch will come towards 1990, a very long time in terms of investment in energy."

significant change in the present pattern of supplies.

In all this, I am discounting the possibility of an emergency through a further Arab-Israeli conflict. But if one looks at the present pattern of dependence years after the last crisis, I think the situation could lead to a crisis."

JANUARY ROAD DEATHS DOWN

1985 might well be similar. There were 24,300 road casualties in January, 1 per cent. I believe we have had a slight increase, but nothing as severe as that. It is just as well it came in January, according to provisional figures for 1974 rather than in 1975-76, from the Department of the Environment.

Bulb dumping' jobs fear

The federation says that large companies such as Thorn, GEC, Philips and Crompton-Parkinson. The Department had called the federation in for talks this week, but the notice was too short to assemble sufficient senior representatives from the industry.

THE WELLINGTON COLLECTION
IN ASSOCIATION WITH THE NATIONAL ARMY MUSEUM
AND THE DUKE OF WELLINGTON'S WATERLOO COMMITTEE
PRESENT

In two historic pictures How Napoleon Lost

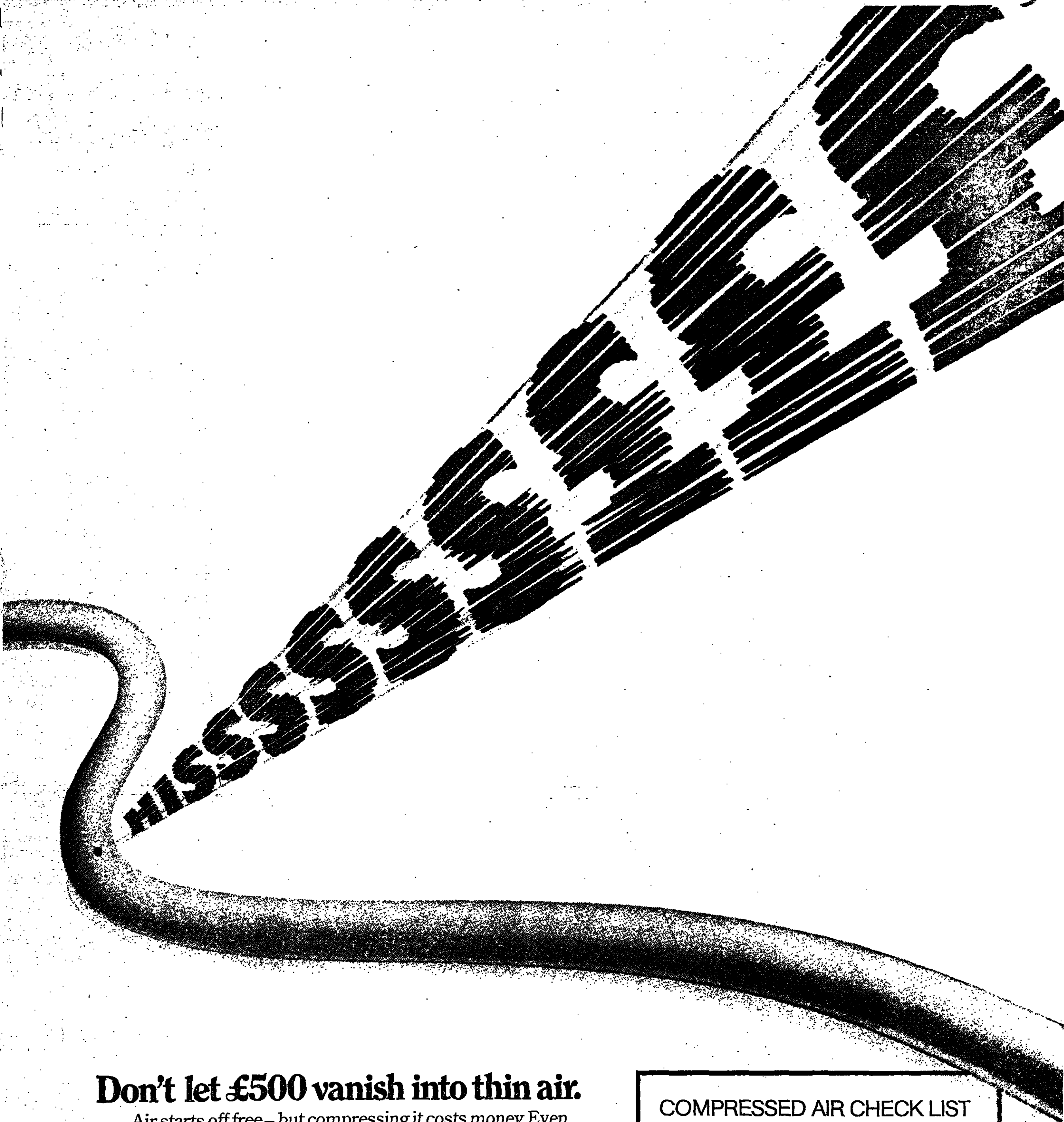
**The defence at Chateau de Hougoumont
The charge of the French Cavalry
Demis Dighton 1792-1827.**

Denis Dighton, military painter to the Prince Regent, was at Waterloo immediately after the battle and his pictures—fresh with his impressions—have exceptional authority. No other copies of the originals exist and no other sets will be permitted for a minimum of 40 years. Price per set £75. Serious applicants are invited to telephone or write to the Wellington collection for further details and full colour brochure.



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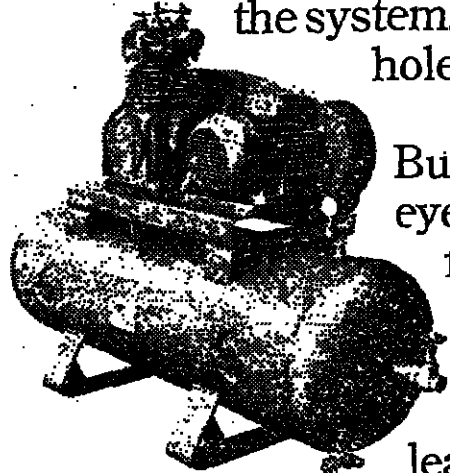
7



Don't let £500 vanish into thin air.

Air starts off free – but compressing it costs money. Even running something as small as one 100 cfm compressor can cost you £2,700 a year.

And you can add a bit more if it's leaking out anywhere along the system. A constant leak at 100 psi through just one 1/8" hole adds another £500 a year.



Well at prices like that it doesn't do to waste it. But it's probably being wasted before your very eyes because of ingrained habits, which, because familiar, escape notice. Habits like cleaning down benches, floors, clothes, lockers. Compressed air is an expensive substitute for a brush.

And it might be wasting itself through leaking pipes and joints, faulty controls and tool connections. Furthermore you could be using a lot of power compressing air to high pressure when low pressure would do just as well. Or maybe your compressors are running through long hours when nobody's using compressed air.

It needs a bit of thinking about, but we can help. Start off by giving this check list to whoever's responsible for energy in your company, best of all your Energy Manager. And start reducing the cost of your factory services right away.

Department of Energy.

COMPRESSED AIR CHECK LIST

Involve your workforce by getting them to report any leaks or faults in the system. How often does your maintenance department test for leaks?

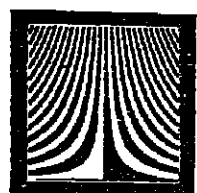
Discourage the use of compressed air for any purpose other than its proper function.

Can you reduce the burden on the central system by installing a small localised compressor for a particular process which must use high pressure?

Ensure that compressors aren't left running when not required. A single 1,000 cfm compressor left running but not generating compressed air costs nearly £10 a day.

Check the location of the air inlet and make sure you use clean, cold air.

**SAVE
IT**



The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOUTERS

● AUTOMATION

Steel rolled more accurately

SPECIAL STEELS divisional engineering services department of the British Steel Corporation has invented a device which is said to be saving many thousands of pounds on rolling operations.

Called the Roll Alignment Monitor, it produces better and more consistent steel bars and sections by enabling operators to set up the rolling mills faster and more accurately—and to monitor rolling all the time—with a consequent cost saving.

Considerable material and man hours are expended in ensuring that the axial alignment of the rolls in a bar, rod or section mill is correct. Once rolling begins there is no sure way of

keeping it right, and the first sign of misalignment is the appearance of out-of-tolerance material.

Axial movement of the roll may be caused by end thrust from inaccurate or too hurried setting, or excessive bearing wear.

It is the start of a sequence that often leads to mechanical breakdown of the mill, increasing maintenance costs and reducing plant availability.

BSC says the monitor cuts these costs. Savings of between £10,000 and £30,000 a year can be achieved depending on the type and size of the mill.

The monitor uses a non-contacting sensor to measure axial roll movement during rolling—any variation from the original

setting is shown on a digital read-out to 0.01 mm. With such precise dynamic measurement of the relative position of the two rolls, setting is faster and more accurate, and an early warning of bearing failure is given.

BSC has already installed 25 monitors, and achieved substantial savings last year. The Corporation is now interested in appointing licensees to manufacture and market the patented monitor—so far it has concluded an agreement with the Italian company, Danelli, which covers Italy, France, Spain and Scandinavia.

Details from BSC Special Steels Division, PO Box 64, The Mount, Broomhill, Sheffield S10 2PZ (0742 660081).

● HANDLING

Collapsible pallet box

CASEPAL is a two-piece palletised container developed by Jewson Cases and Pallets in collaboration with Abnott's Packaging Ltd. The base is a heavy-duty corrugated board deck, inset from the pallet edge. The case, also of heavy-duty corrugated board, is open ended with flaps at the top only. The open end fits on to the raised and recessed pallet deck.

Capable of carrying a ton, the containers are delivered collapsed, with the pallet bases nested in pairs. Assembly is stated to take only seconds. Usually the load is built up on the pallet base, the container is slid over the load, then strapped in place.

There are six standard sizes but the versatility of the design allows customers' requirements to be met. The pallet can be adapted for slinging and the case can be supplied with a cap closure.

Details from Jewson Cases and Pallets, Southtown Road, 10 Yarmouth, NR31 0HZ (0493 55661).

Industrial folding silos

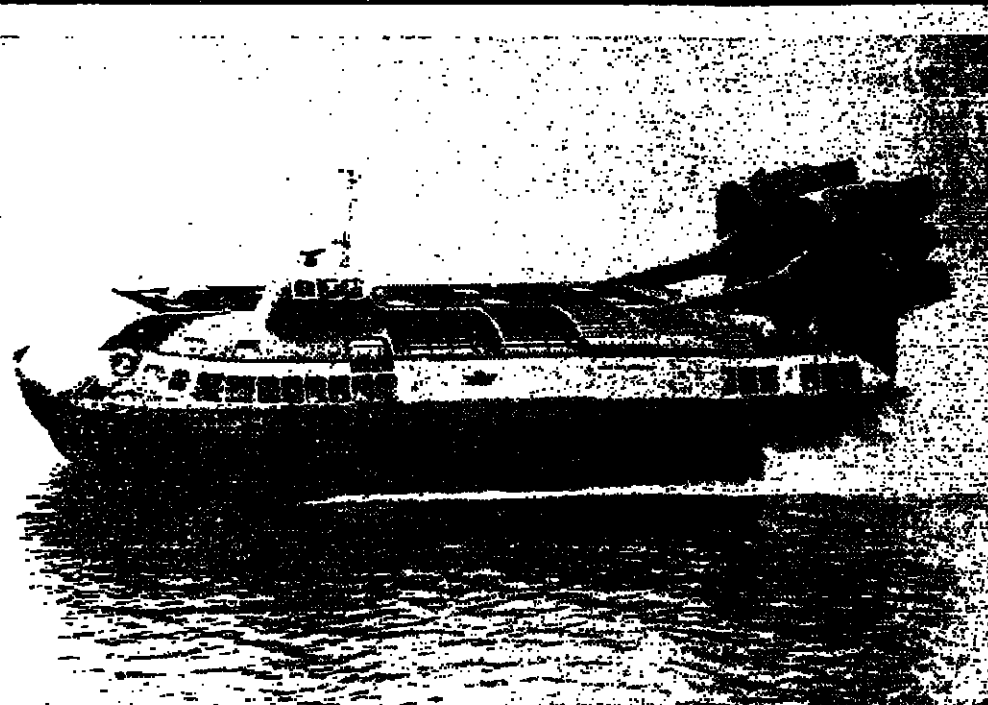
MADE FROM galvanneal steel and Trevis high tenacity polyester fabric, a range of industrial folding silos has been developed in Germany.

Called Totzke, the range can be erected by a small crew within 16 hours without the use of specialised lifting equipment. When dismantled, the silos can be transported on standard flat-bed lorries.

The polyester fabric body is PVC coated, and spirally welded to produce almost horizontal seams for maximum strength. The silo bag is supported within a collapsible tubular steel frame-work. A mild steel cone outlet at the base is polyester lined.

It is claimed that discharge of materials with poor flow characteristics presents no problem, as the flexing of the silo walls prevents sticking. There is no internal condensation which would affect powders such as cement. The fabric is weather, chemical and corrosion resistant, and ultra-violet stabilised. A working life of at least 20 years is expected.

Capacity range from 30 to 125 cu. metres, and the silos are marketed in the U.K. by IRC Containers, Marshall House, St Mary's Road, Long Ditton, Surrey (01-398 6676).



Vosper Thornycroft's military prototype VT2, one of the largest hovercraft yet built, takes to the sea during recent trials. The entire skirt system for the craft has been manufactured by Avon Industrial Polymers. The VT2 weighs nearly 100 tons fully laden and has a speed of over 60 knots.

● INSTRUMENTS

Big push by Kent

TIMED to appear on the market at the same time as the first Instruments, Electronics and Automation Exhibition to be held at the National Exhibition Centre in Birmingham are well over a dozen new products from the George Kent Group.

The Group's instrument company at Luton is featuring the P3000 pneumatic process controller employing a straight up and down pointer movement. Switching sequences and alarms are performed by pneumatic logic units which are claimed to be completely reliable and provide auto-manual switching without "bumps." Direct digital and computer set point control is possible.

Kent Instruments has also introduced a probe system which will measure the net oxygen concentration in the flue gases from combustion processes. No sampling is involved, and the measurement is accurate to about five per cent. A solid electrolyte electrochemical cell is used.

Apart from announcing three new meters in its Metron range of oil meters, able to measure flow rates in larger mains, Kent Meters also of Luton has developed a remote read-out unit for its water meters. This generates its own pulses which can be fed over 100 metres of pair cable to a point convenient for reading, for example, outside locked premises.

Another company in the group, Electronic Instruments of Chertsey, Surrey, will be appealing to plant engineers with the re-

minder that even 0.01 ppm of dissolved oxygen in a boiler of 1,000 kilobars capacity can carry away some 200 lb of iron as rust in a year. Accordingly, the company has added a calorator to its 9430 monitor to improve sampling accuracy. In addition, it has introduced a self-cleaning and checking dissolved oxygen system for monitoring effluent treatment processes of a highly organic nature. The system, designated 9407, has an electrode unit which cleans and checks itself within minutes, entirely automatically.

Emerging from George Kent Electronic Products at Cambridge is a new carbon dioxide purity analyser that can be left unattended for up to a month without maintenance. Applications are in breweries and in carbon dioxide stores.

More on all the companies' products from George Kent, Biscot Road, Luton, Beds (0582 21151).

Guarantees watchman's rounds

THE RECORD provided by the 3010 watchman's clock from Simplex Time Recorder eliminates the guesswork associated with the chart type of device, and ensures that patrols are carried out precisely to schedule.

Time and station numbers are printed on a paper tape providing a legible and accurate record of the hour and minute an in-spection was made at each station in a protected area.

Enough tape is carried to ensure that long week-end patrols can be carried out without opening the clock; up to 1,800 registrations can be made.

The eight-day, 13-jewel movement can stand rough treatment and the system includes a tamper-proof feature: if the clock back is opened and closed the time is printed on the tape, but no station number. More details from 62, Wilbury Way, Hitchin, Herts. (0462 52081).

Versatile level indicator

SUBSTANCES RANGING from wood chippings to sulphuric acid can be assessed for level using the Ramatrol system introduced by Adwel Industries, Power Road, London, W4 5PZ (01-984 1764).

The sensor uses a form of radio frequency technique rather than conductance or capacitance. Fluctuations in the medium level around the probe elements alter the dielectric constant which alters the frequency of a tuned circuit. This in turn actuates a relay to produce any required secondary position.

The stability and sensitivity of the device enables it to tell the difference between a flow over the probe, and a level change. This is useful in applications such as the handling of grain, chemical powders or granules. In these instances it is often necessary to determine lack of flow, or to be able to establish level by material passing over it.

Loval Bil
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01-9951313
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GLC

● POWER

High power at high voltage

DESIGNED in conjunction with AEA at Harwell is a very high voltage power supply from Hunting Hilvoit able to deliver 2.5 kW at voltage levels ranging from 1 at 115 mA to 200 kV at 14 mA. The units use Cockcroft-Walton 3.33 kV disc modules of variety of stacking combining to yield the required output. The high voltage stacks, former and converter units may be supplied singly or in sets of up to 16 in rack units.

The use of semiconductor circuits and RF oscillator wide the major advantage conventional mains system stability in ripple and voltage. There is also less wasted energy.

Applications of the series will be in electron beam welding, x-ray equipment, ionisation and similar measurement. More from Old Shop Road, Shoreham-by-Sea, S (07917 4511).

● CONFERENCES

Delegates put in the picture

AN international conference on video-discs is taking place in London from April 13 to 15. Under the title Video-Disc, the conference will exploit the commercial and educational applications of this new medium and assess market opportunities.

Specific subjects being considered include financial and research into video-discs, the medium for advertising, its impact on publishing, printing industry, broad-band cinema, and application of the video-disc in education, training and information storage. Details from EBAV (U.K. New Bond Street, London, 9HB (01-629 9381-2).

● MATERIALS

Industrial laminates recognised

FORMICA has announced that it has been fully approved as a supplier of industrial laminates for use in Ministry of Defence applications.

This approval covers the full range of the company's unclad and metal clad industrial laminates manufactured at its factory in the North of England.

Formica says its glass epoxy copper clad grade CFG 83 now has type approval by the Ministry of Defence against DEF STAN 59-50, and adds that its

new glass epoxy copper clad grade CFG 96 has met the requirements of the Post Office specification M487B and been added to the published list of approved materials.

● ELECTRONICS

Positions recording heads

ENGINEERS working on cartographic drive development at Data Recording Instrument Company at Staines, Middlesex, have devised and patented a method of accurately positioning the recording head without the need for pre-recorded media.

It has been introduced in the

Series 3200 family of front-load drives, DRI's enhancement of the internationally established Series 30, which uses increased packing densities to achieve a substantially improved performance.

First details of this head positioning technique, which keeps down manufacturing costs and reduces the media bill for the user, have just been launched.

One model, the 12 Megabyte Model 3212, provides four times the storage capability, with twice the transfer rate, of the most powerful Series 30. Data is recorded at 4,400 bits per inch on tracks with a density of 200 tpi. However, instead of requiring the use of initialised cartridges, where prewritten servo-information "homes" the recording head to the required data track, Series 3200 drives achieve the necessary precision positioning by means of a technique known as fingerprinting. This is a method of programmed error correction to overcome performance differences caused by component tolerances.

During drive manufacture, the positioning deviations of the actuator are identified by special measurement techniques and confirmed by laser. DRI, Hawthorne Road, Staines, Middlesex, Staines 51388.

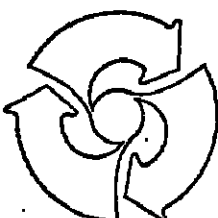
Capacity range from 30 to 125 cu. metres, and the silos are marketed in the U.K. by IRC Containers, Marshall House, St Mary's Road, Long Ditton, Surrey (01-398 6676).

SHORT OF WAREHOUSE SPACE?

A Barracuda Airdome gives Storage Space where you want it anywhere in the world in next to no time. Write or ring for a brochure:-
Cherwell Valley Silos Limited, Barracuda Division, Twyford, Banbury, Oxfordshire, OX17 3AA
Telephone: Kings Sutton (029 574) 441

Waste disposal can be a way of saving money if you take advantage of the unique service offered by the UK Waste Materials Exchange.

It is bad economics to pay for your waste to be dumped when someone else may be able to use it. Equally, it is bad economics to buy expensive raw materials when another firm's waste could provide a cheap alternative. The Waste Materials Exchange's quarterly bulletin lists materials available and wanted. Participants are put in touch with one another by the Exchange, whenever an entry stimulates a response. Participation in the Exchange is entirely free and the service is fully confidential.



UK Waste Materials Exchange

The Exchange Bulletin has grown more than six-fold since its first issue a year ago. More and more firms realise that the Exchange provides a solution to the economic and environmental problems created by waste disposal. See how it can help you by telephoning Alan Poll at Stevenage (0438) 3388 or sending the coupon.

Return to:
U.K. Waste Materials Exchange,
P.O. Box 51,
Stevenage,
Hertfordshire SG1 2DT.

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Official Position _____
Company _____
Address _____

FT6

Stone-Platt Industries

Leading manufacturers of textile machinery, pumps and valves for the power, oil and water industries, marine engineering and electrical products.

Further significant increase in sales and profits.

From the 1975 Report

Sales of £159m were 42% higher than in 1974.

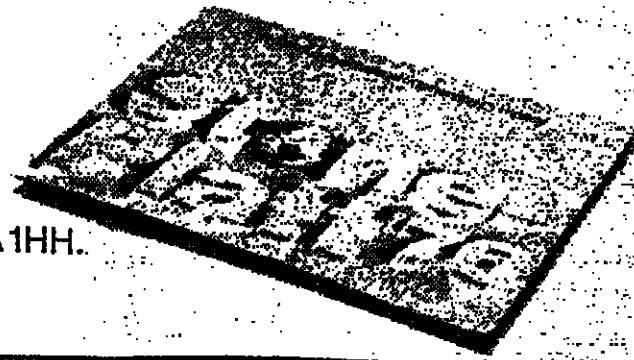
Profit before taxation up by 39%.

Return on capital employed of over 25%.

Exports from the UK at £66.6m represented 66% of UK output. Total sales overseas £125m.

	1971	1972	1973	1974	1975
Net sales	£60m	£63m	£82m	£111m	£159m
Profit before taxation	£3.6m	£4.7m	£7.0m	£8.0m	£11.1m
Pre-tax earnings per share	10.6p	13.7p	20.4p	24.1p	31.7p
After-tax earnings per share	6.2p	8.9p	11.7p	16.1p	17.8p
Dividend per share (gross)	3.25p	3.40p	3.66p	4.11p	4.52p
Return on capital employed	12.5%	15.8%	19.1%	20.7%	25.5%

For 1975 accounts and illustrated brochure apply to: The Secretary, Stone-Platt Industries Ltd, 25 St James's Street, London SW1A 1HH.





Select Committee asked for rapid report

Callaghan wants Europe election views by July

BY JUSTIN LONG, PARLIAMENTARY CORRESPONDENT

Commons staff recruiting protest by MP

MPs HAD inadequate control over recruitment of Westminster staff where priority was being given to ex-military personnel, Mr. William Hamilton (Lab., File Cent.) said in the Commons yesterday.

"How many sergeant-at-arms have been pneumoconiotic miners?" he asked.

Mr. Hamilton said any employment vacancies occurring within the Houses of Parliament, whatever their status, should be properly advertised in employment exchanges and other appropriate places.

Mr. Edward Short, Leader of the House, replied that annual recruitment of staff was made to the Civil Service, and that the House of Commons was not a recruitment agency.

Mr. Hamilton said that the House of Commons was not a recruitment agency, and that the House of Commons was not a recruitment agency.

THE present president of the Council of Ministers, Mr. Callaghan, has been asked to set up a Select Committee of MPs to examine the practical problems and work of the European Parliament, Mr. James Callaghan, Foreign Secretary, in the Commons yesterday.

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Committee to study security in Parliament

Advisers will need approval of new PM, says Minister

BY JOHN HUNT

PARLIAMENT is to have a permanent Joint Commons-Lords committee on security to make proposals on security of the whole of the Palace of Westminster, the Speaker, Mr. George Thomas, told MPs yesterday.

Mr. Thomas reminded the House that a joint committee had already been set up to examine the recommendations of Sir James Stirling, former Deputy Commissioner of the Metropolitan Police, on security within the Palace.

Mr. Thomas said it had endorsed the recommendation of a permanent joint committee should be appointed.

Mr. Thomas added that the four MPs who served on the informal joint committee had now volunteered to remain as members of the permanent one. The committee would be "invited to consider several important matters arising within the Stirling report."

On the question of Civil Service pensions, Mr. Peter Marshall (C., City of Chester) said that those about to retire were getting less than their colleagues who had retired already. This was because pay had been held down under incomes policy while Civil Service pensions were indexed.

Mr. Marshall said: "There is a very real difficulty here. It is a difficult matter and the Department is giving attention to it currently."

From the Labour benches, Mr. Arthur Lewis (Newham N.W.) complained that Lord Armstrong, former head of the Home Civil Service, had taken a highly paid job in the private sector since retiring.

Mr. Lewis told the House: "Lord Armstrong went on pension a year before he should have done, postponed drawing his pension for 12 months, then took a job as chairman of a bank should be paid for by the State at £28,000 a year and declared himself in favour of a wage freeze."

But the Minister told him that it was essential the advisers Lord Armstrong was being should be subject to Civil Service discipline, particularly any other Civil Servant.

NCB expected to break even

The National Coal Board is expected to break even this year, without Government operational grants, Mr. Alex Eadie, Under Secretary to Energy, said in a Commons written reply yesterday.

Birth rate fall report planned next year

BY JOHN HUNT

LATEST STATISTICS show a significant drop in the birth rate, which will be published next year, Mr. Price said in a Commons written reply yesterday.

Mr. Price said that the Government was publishing a report on the birth rate, which would be published next year. The report would be an updating of the 1973 report, which was published in 1973. This was compiled by the population panel on which various Government departments were represented.

Mr. Price said that the birth rate would be a little lower than the provisional estimate for 1975 of 12.4 births per 1,000 population.

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9 3/4 per cent TREASURY STOCK, 1981

ISSUE OF £800,000,000 AT £95.50 PER CENT

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SNP seeks equality with Denmark

Dr. Dickson Mabon (Lab., Greenock and Port Glasgow) said that the SNP should be able to play a part in Westminster's legislative process to help with EEC regulations and other common market problems.

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Sterile water costs cut

STERILE WATER used in hospitals for injections, cleaning wounds and in operation theatres, can cost more than 25p a pint, Mr. Patrick Jenkin, Shadow Health Minister, said yesterday.

Mr. Jenkin said that the cost of sterile water was too high, and that the Government should consider ways of reducing the cost.

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Postal service 'pricing itself out of the market'

Mr. John Stoddart (Lab., Walsall N) said there had been two main reasons for setting up the Corporation, namely to create greater efficiency and to keep in closer touch with the consumer.

Mr. Stoddart said that the Post Office was pricing itself out of the market, and that the Government should consider ways of reducing the cost of the postal service.

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Quarterly analysis of bank advances

Prepared by the Bank of England on February 18

ADVANCES TO U.K. RESIDENTS OF WHICH

	1975 Nov. 19	1976 Feb. 18	1976 Nov. 19	1977 Feb. 18	1977 Nov. 19	1978 Feb. 18	1978 Nov. 19	1979 Feb. 18	1979 Nov. 19	1980 Feb. 18	1980 Nov. 19	1981 Feb. 18	1981 Nov. 19	1982 Feb. 18	1982 Nov. 19	1983 Feb. 18	1983 Nov. 19	1984 Feb. 18	1984 Nov. 19	1985 Feb. 18	1985 Nov. 19	1986 Feb. 18	1986 Nov. 19	1987 Feb. 18	1987 Nov. 19	1988 Feb. 18	1988 Nov. 19	1989 Feb. 18	1989 Nov. 19	1990 Feb. 18	1990 Nov. 19	1991 Feb. 18	1991 Nov. 19	1992 Feb. 18	1992 Nov. 19	1993 Feb. 18	1993 Nov. 19	1994 Feb. 18	1994 Nov. 19	1995 Feb. 18	1995 Nov. 19	1996 Feb. 18	1996 Nov. 19	1997 Feb. 18	1997 Nov. 19	1998 Feb. 18	1998 Nov. 19	1999 Feb. 18	1999 Nov. 19	2000 Feb. 18	2000 Nov. 19	2001 Feb. 18	2001 Nov. 19	2002 Feb. 18	2002 Nov. 19	2003 Feb. 18	2003 Nov. 19	2004 Feb. 18	2004 Nov. 19	2005 Feb. 18	2005 Nov. 19	2006 Feb. 18	2006 Nov. 19	2007 Feb. 18	2007 Nov. 19	2008 Feb. 18	2008 Nov. 19	2009 Feb. 18	2009 Nov. 19	2010 Feb. 18	2010 Nov. 19	2011 Feb. 18	2011 Nov. 19	2012 Feb. 18	2012 Nov. 19	2013 Feb. 18	2013 Nov. 19	2014 Feb. 18	2014 Nov. 19	2015 Feb. 18	2015 Nov. 19	2016 Feb. 18	2016 Nov. 19	2017 Feb. 18	2017 Nov. 19	2018 Feb. 18	2018 Nov. 19	2019 Feb. 18	2019 Nov. 19	2020 Feb. 18	2020 Nov. 19	2021 Feb. 18	2021 Nov. 19	2022 Feb. 18	2022 Nov. 19	2023 Feb. 18	2023 Nov. 19	2024 Feb. 18	2024 Nov. 19	2025 Feb. 18	2025 Nov. 19	2026 Feb. 18	2026 Nov. 19	2027 Feb. 18	2027 Nov. 19	2028 Feb. 18	2028 Nov. 19	2029 Feb. 18	2029 Nov. 19	2030 Feb. 18	2030 Nov. 19	2031 Feb. 18	2031 Nov. 19	2032 Feb. 18	2032 Nov. 19	2033 Feb. 18	2033 Nov. 19	2034 Feb. 18	2034 Nov. 19	2035 Feb. 18	2035 Nov. 19	2036 Feb. 18	2036 Nov. 19	2037 Feb. 18	2037 Nov. 19	2038 Feb. 18	2038 Nov. 19	2039 Feb. 18	2039 Nov. 19	2040 Feb. 18	2040 Nov. 19	2041 Feb. 18	2041 Nov. 19	2042 Feb. 18	2042 Nov. 19	2043 Feb. 18	2043 Nov. 19	2044 Feb. 18	2044 Nov. 19	2045 Feb. 18	2045 Nov. 19	2046 Feb. 18	2046 Nov. 19	2047 Feb. 18	2047 Nov. 19	2048 Feb. 18	2048 Nov. 19	2049 Feb. 18	2049 Nov. 19	2050 Feb. 18	2050 Nov. 19	2051 Feb. 18	2051 Nov. 19	2052 Feb. 18	2052 Nov. 19	2053 Feb. 18	2053 Nov. 19	2054 Feb. 18	2054 Nov. 19	2055 Feb. 18	2055 Nov. 19	2056 Feb. 18	2056 Nov. 19	2057 Feb. 18	2057 Nov. 19	2058 Feb. 18	2058 Nov. 19	2059 Feb. 18	2059 Nov. 19	2060 Feb. 18	2060 Nov. 19	2061 Feb. 18	2061 Nov. 19	2062 Feb. 18	2062 Nov. 19	2063 Feb. 18	2063 Nov. 19	2064 Feb. 18	2064 Nov. 19	2065 Feb. 18	2065 Nov. 19	2066 Feb. 18	2066 Nov. 19	2067 Feb. 18	2067 Nov. 19	2068 Feb. 18	2068 Nov. 19	2069 Feb. 18	2069 Nov. 19	2070 Feb. 18	2070 Nov. 19	2071 Feb. 18	2071 Nov. 19	2072 Feb. 18	2072 Nov. 19	2073 Feb. 18	2073 Nov. 19	2074 Feb. 18	2074 Nov. 19	2075 Feb. 18	2075 Nov. 19	2076 Feb. 18	2076 Nov. 19	2077 Feb. 18	2077 Nov. 19	2078 Feb. 18	2078 Nov. 19	2079 Feb. 18	2079 Nov. 19	2080 Feb. 18	2080 Nov. 19	2081 Feb. 18	2081 Nov. 19	2082 Feb. 18	2082 Nov. 19	2083 Feb. 18	2083 Nov. 19	2084 Feb. 18	2084 Nov. 19	2085 Feb. 18	2085 Nov. 19	2086 Feb. 18	2086 Nov. 19	2087 Feb. 18	2087 Nov. 19	2088 Feb. 18	2088 Nov. 19	2089 Feb. 18	2089 Nov. 19	2090 Feb. 18	2090 Nov. 19	2091 Feb. 18	2091 Nov. 19	2092 Feb. 18	2092 Nov. 19	2093 Feb. 18	2093 Nov. 19	2094 Feb. 18	2094 Nov. 19	2095 Feb. 18	2095 Nov. 19	2096 Feb. 18	2096 Nov. 19	2097 Feb. 18	2097 Nov. 19	2098 Feb. 18	2098 Nov. 19	2099 Feb. 18	2099 Nov. 19	2100 Feb. 18	2100 Nov. 19	2101 Feb. 18	2101 Nov. 19	2102 Feb. 18	2102 Nov. 19	2103 Feb. 18	2103 Nov. 19	2104 Feb. 18	2104 Nov. 19	2105 Feb. 18	2105 Nov. 19	2106 Feb. 18	2106 Nov. 19	2107 Feb. 18	2107 Nov. 19	2108 Feb. 18	2108 Nov. 19	2109 Feb. 18	2109 Nov. 19	2110 Feb. 18	2110 Nov. 19	2111 Feb. 18	2111 Nov. 19	2112 Feb. 18	2112 Nov. 19	2113 Feb. 18	2113 Nov. 19	2114 Feb. 18	2114 Nov. 19	2115 Feb. 18	2115 Nov. 19	2116 Feb. 18	2116 Nov. 19	2117 Feb. 18	2117 Nov. 19	2118 Feb. 18	2118 Nov. 19	2119 Feb. 18	2119 Nov. 19	2120 Feb. 18	2120 Nov. 19	2121 Feb. 18	2121 Nov. 19	2122 Feb. 18	2122 Nov. 19	2123 Feb. 18	2123 Nov. 19	2124 Feb. 18	2124 Nov. 19	2125 Feb. 18	2125 Nov. 19	2126 Feb. 18	2126 Nov. 19	2127 Feb. 18	2127 Nov. 19	2128 Feb. 18	2128 Nov. 19	2129 Feb. 18	2129 Nov. 19	2130 Feb. 18	2130 Nov. 19	2131 Feb. 18	2131 Nov. 19	2132 Feb. 18	2132 Nov. 19	2133 Feb. 18	2133 Nov. 19	2134 Feb. 18	2134 Nov. 19	2135 Feb. 18	2135 Nov. 19	2136 Feb. 18	2136 Nov. 19	2137 Feb. 18	2137 Nov. 19	2138 Feb. 18	2138 Nov. 19	2139 Feb. 18	2139 Nov. 19	2140 Feb. 18	2140 Nov. 19	2141 Feb. 18	2141 Nov. 19	2142 Feb. 18	2142 Nov. 19	2143 Feb. 18	2143 Nov. 19	2144 Feb. 18	2144 Nov. 19	2145 Feb. 18	2145 Nov. 19	2146 Feb. 18	2146 Nov. 19	2147 Feb. 18	2147 Nov. 19	2148 Feb. 18	2148 Nov. 19	2149 Feb. 18	2149 Nov. 19	2150 Feb. 18	2150 Nov. 19	2151 Feb. 18	2151 Nov. 19	2152 Feb. 18	2152 Nov. 19	2153 Feb. 18	2153 Nov. 19	2154 Feb. 18	2154 Nov. 19	2155 Feb. 18	2155 Nov. 19	2156 Feb. 18	2156 Nov. 19	2157 Feb. 18	2157 Nov. 19	2158 Feb. 18	2158 Nov. 19	2159 Feb. 18	2159 Nov. 19	2160 Feb. 18	2160 Nov. 19	2161 Feb. 18	2161 Nov. 19	2162 Feb. 18	2162 Nov. 19	2163 Feb. 18	2163 Nov. 19	2164 Feb. 18	2164 Nov. 19	2165 Feb. 18	2165 Nov. 19	2166 Feb. 18	2166 Nov. 19	2167 Feb. 18	2167 Nov. 19	2168 Feb. 18	2168 Nov. 19	2169 Feb. 18	2169 Nov. 19	2170 Feb. 18	2170 Nov. 19	2171 Feb. 18	2171 Nov. 19	2172 Feb. 18	2172 Nov. 19	2173 Feb. 18	2173 Nov. 19	2174 Feb. 18	2174 Nov. 19	2175 Feb. 18	2175 Nov. 19	2176 Feb. 18	2176 Nov. 19	2177 Feb. 18	2177 Nov. 19	2178 Feb. 18	2178 Nov. 19	2179 Feb. 18	2179 Nov. 19	2180 Feb. 18	2180 Nov. 19	2181 Feb. 18	2181 Nov. 19	2182 Feb. 18	2182 Nov. 19	2183 Feb. 18	2183 Nov. 19	2184 Feb. 18	2184 Nov. 19	2185 Feb. 18	2185 Nov. 19	2186 Feb. 18	2186 Nov. 19	2187 Feb. 18	2187 Nov. 19	2188 Feb. 18	2188 Nov. 19	2189 Feb. 18	2189 Nov. 19	2190 Feb. 18	2190 Nov. 19	2191 Feb. 18	2191 Nov. 19	2192 Feb. 18	2192 Nov. 19	2193 Feb. 18	2193 Nov. 19	2194 Feb. 18	2194 Nov. 19	2195 Feb. 18	2195 Nov. 19	2196 Feb. 18	2196 Nov. 19	2197 Feb. 18	2197 Nov. 19	2198 Feb. 18	2198 Nov. 19	2199 Feb. 18	2199 Nov. 19	2200 Feb. 18	2200 Nov. 19	2201 Feb. 18	2201 Nov. 19	2202 Feb. 18	2202 Nov. 19	2203 Feb. 18	2203 Nov. 19	2204 Feb. 18	2204 Nov. 19	2205 Feb. 18	2205 Nov. 19	2206 Feb. 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FINANCIAL TIMES SURVEY

Tuesday March 30 1976

Vehicle Leasing and Finance

Inflation and increased working capital needs have put pressure on corporate cash resources. This has led to favourable trading conditions for the vehicle leasing and contract hire companies. Last year was a good one for them, and 1976 promises to be even better.

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IE CONDITIONS com- have had to endure the past two or years it is hardly ing, that the large operating fleets of motor ve become more recep- the overtures of the leas- companies. The facts speak for themselves. For example, a company that has been buying its fleet outright in its cars every ars has had a nasty shock form of new car prices— ave been rising by over cent per annum. It was y estimated that over the elve months the cost of a id risen by 27 per cent, he value of a 1972 fleet, the same period had d by 10 per cent.

e companies that have emptied to hold on to ars for a little longer are postponing the evil day, ch time new car prices ve risen still further and d values of the existing ill have continued to ate. But probably more ant, the company will e face up to the greater Vehicle contract hire and leasing is provided from a number of sources, though the large



The rising price of vehicles, especially in the bigger ranges, has encouraged hire and leasing. Growing sophistication of equipment is an added factor—the Scania truck above is fitted with many extras for long-distance tropical journeys.

and heavier consumption of oil and petrol. The circle is clearly a vicious one, since the need for additional working capital is almost certainly as acute in other areas of any company—stocks, the financing of orders, etc. The contract hire/leasing package can therefore be seen as something of a saviour in these circumstances, since it means that valuable cash is not tied up and can be released into other and needier areas. At to-day's prices it is estimated that an average fleet consisting of 125 vehicles would add up to a capital cost of £250,000.

finance houses are prominent. Probably the largest is Dial Contracts, a subsidiary of Mercantile Credit, which has 6,000 cars under its wing. UDT is also well represented, as is Lombard North Central (a subsidiary of NatWest Bank). There are some differences between the groups mentioned, and the main one is that Lombard is a finance house pure and simple whereas UDT and Mercantile are garage proprietors and retailers of minor cars in their own right. They are not, however, linked directly with any one manufacturer. Dial, for example, has roughly 37 per cent of its fleet with British Leyland, 34 per cent with Ford and around a quarter with Chrysler.

towards tailoring a contract to suit a company's individual requirements—not just take it or leave it. Some organisations have strong loyalties with garages and prefer to conduct their own trade-in and purchase. In these circumstances the lessee can go ahead in the same way as if he owned the car and the lessor steps in to pick up the bill at that point. Contract hire, on the other hand, is where the lessor actually orders and supplies the vehicle, and adds in maintenance, road fund licence, etc., where required.

To establish the difference UDT describes contract hire and other forms of rental merely as variations of leasing. It is a specialised facility, mainly used for vehicles, in which the user pays only the pre-calculated depreciation during the fixed hiring period. It frequently includes the provision of maintenance, servicing, repairs and replacement vehicles and, in the case of heavy commercial vehicles, may even include the provision of the driver and fuel.

The growth in the industry is certainly there. Dial Contracts, for example, has moved forward from 4,000 vehicles to 6,000 over the past two years. That group alone is reckoned

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Discount

One advantage the potential lessee cannot afford to ignore is the discount that the lessor is normally able to negotiate. This would almost certainly be greater than that negotiated by a company on its own with a motor group. On a set example, a company could seek to buy and negotiate its own trade-in and purchase on, say, a Cortina. Assuming that the company could negotiate a discount of 12½ per cent, it is likely that the large hiring company could fare rather better—with a discount of up to 18 per cent—purely on the basis of buying muscle. The difference in capital cost in such a case would probably amount to something like £65 and the difference in rental terms would be of the order of £2 per month over a two-year lease.

Apart from not having capital tied up in motor cars, the other main attraction is that most groups offer to incorporate maintenance into the contract. In other words, it is possible for a company to lease motor cars without having the full and dubious privilege of ownership.

There are a number of variations on the contract hire-lease theme, and it is probably fair to say that one discernible trend has been the movement

of the question of passing ownership of title requires further explanation. It is possible with some leasing companies to benefit at the end of the day if the actual residual price exceeds the estimated residual price at the outset of the contract. This can never be achieved in a straightforward way and the method used is for a subsidiary of the lessee to act as selling agent to the lessor. In that way, whatever benefit there is passes to the associate or subsidiary which then, naturally, passes that on to the parent or lessee. Another method is for the benefit to be adjusted into the next period's rental terms in the form of lower payments.

The passing back of benefits on residual prices is not practised by all leasing companies, and there are some in the industry who feel that there may be a legal stop put to this in either this, or a subsequent Budget.



Offloading a four-ton machine tool at Dijon, France, after transport by Vanguard Engineering, which specialises in the movement of heavy machinery throughout Europe.

to be earning in the region of £500,000—possibly £600,000 in 1976.

Needless to say the competition is fierce. The difference almost certainly lies in service. There is no way that the large leasing company can compete with the small almost "one-off" type of operation of the smaller local garage. However in this instance there is likely to be a small variation in price.

There is the possibility that the major manufacturers may move into the leasing/contract hire business in their own right. This has happened in the Continent and France's Renault, for example, has a fleet of vehicles numbering no less than 100,000.

Attractive

If manufacturers really enter the contract hire business, clearly there could be a threat to the middle-man. And if retail sales are difficult to stimulate then leasing out cars direct to customers would certainly be an attractive proposition. However, most leasing companies would argue that to administer leasing business through a widespread network of franchise garages would indeed be a task.

It is, therefore, far more likely that manufacturers will force direct links with finance companies. In this regard, Lombard North Central has recently linked up with British Leyland. For Lombard, the attraction is the opportunity to sell the scheme through 8,000 or so garages of assorted shapes and sizes, throughout the country. The link is purely at arm's length; that is, the motor manufacturer sticks to his job and the finance company provides the cash.

Keith Lewis

Fleetlease lifts the lid off leasing.

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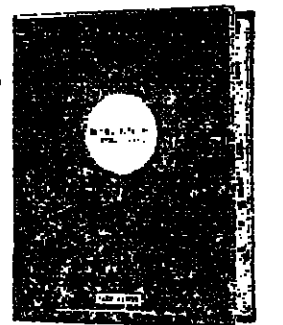
Topics include:

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For details of the Motor Vehicle Fleet Reports and the Vehicle Finance and Leasing seminars, contact: David Whitehead.

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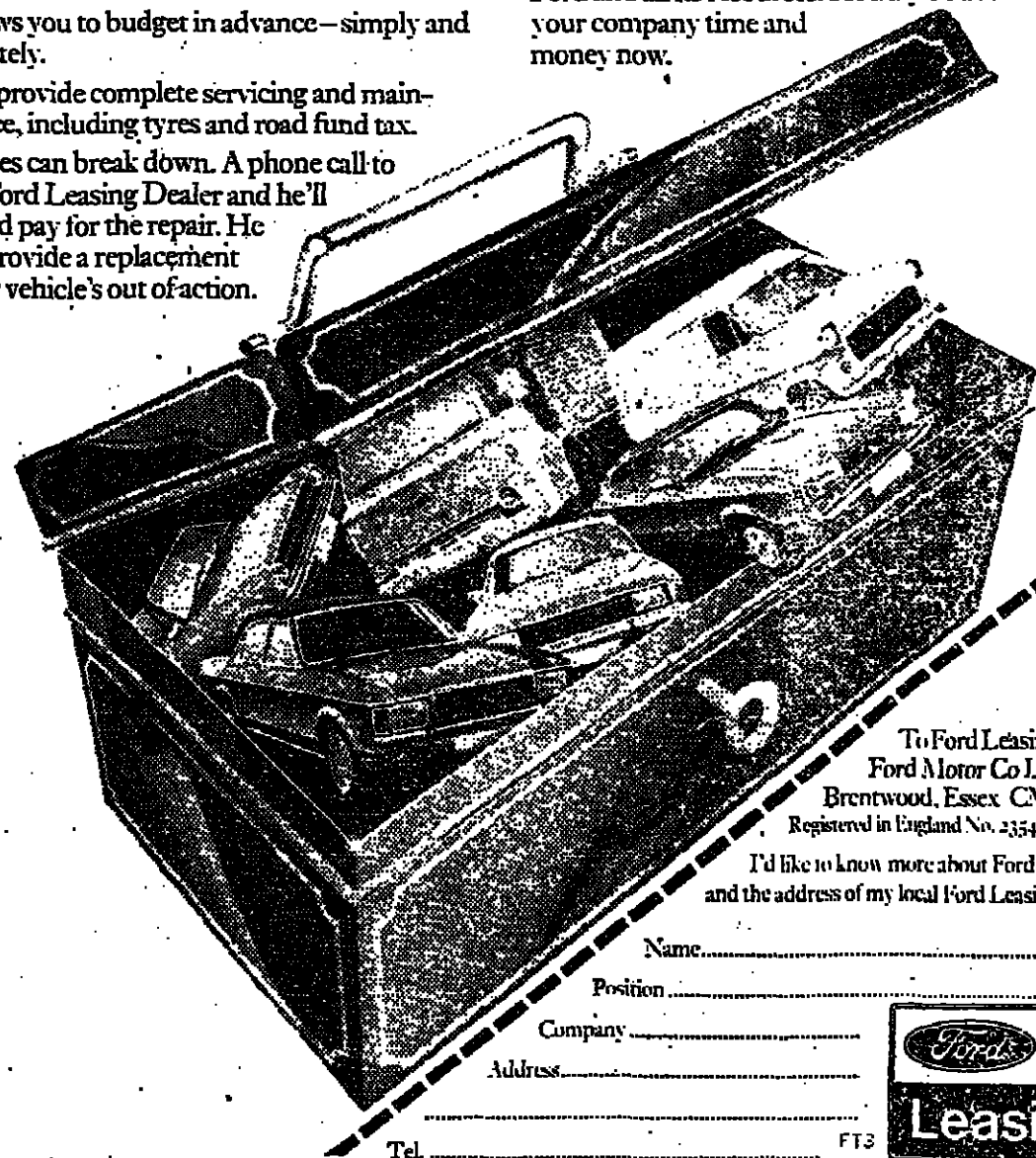
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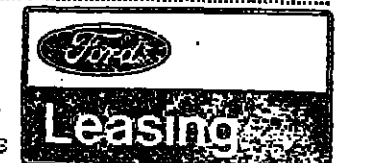
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DISTRIBUTION costs in U.K. manufacturing account for anything between 16 and 22 per cent. of sales and have probably doubled in the past decade. This places an obvious premium on the efficient use of transport facilities, an area not traditionally viewed as a major cost centre in industry. In addition, the recent sharp rise in new vehicle prices, both of commercial vehicles and car fleets, together with in some cases an almost total squeeze on corporate cash flows in 1974/75, has prompted companies to take a closer look at their transport requirements and the way they should be financed.

Financial pressures have clearly altered the balance between purchase and hire as a method of vehicle acquisition. Purchase on the one hand covers outright purchase, hire purchase and guaranteed repurchase schemes, while the hire alternatives are basically those of contract hire and leasing. The most straightforward way of comparing the alternatives is on a present value basis. Thus the present value of the HP deposit and repayments less

capital and interest allowances and the estimated residual value of the vehicle can be set against that of the initial leasing downpayment and subsequent monthly payments less tax relief, taking into account the timing of allowances and reliefs.

At the moment, HP repayments require a one-third deposit and a repayment schedule of 2 years. For leasing, the Control of Hiring Orders of December, 1973, demands a down-payment of 10 months leasing payments but supporters of vehicle hire point to the fact that no further payments are required until the eleventh month, thus providing relatively high savings on cash flow. With leasing, however, you do not necessarily receive any benefit from the residual value of the vehicle and this is an offsetting factor. But the timing of tax allowances, cash flows and profits is really only part of the assessment procedure. Capital considerations are a prime importance.

A large company may, for example, have access to low cost funds but for a small company, whose cost of capital may be high, hiring is an important source of very competitive

additional funds, thanks to the economies of scale generated by finance companies. In addition, a hiring contract is the equivalent of a medium-term loan, secured on the vehicle, allowing a "hidden gearing" without the need to create extra charges on existing assets. At the same time, capital is released and can be diverted to other and rapidly expanding parts of the business.

Capture

As for the discounts normally associated with outright purchase, the small company can capture these, again through the medium of the finance company, providing, of course, that the hirer does not take such savings into cost and profit. The revenue aspects of repayment are clearly important, and in this respect, tax rebates on purchase can vary, while hire payments are a business expense.

There are two main forms of vehicle hire. The first, leasing, is regarded as a purely financial arrangement and the second, contract hire, is a different animal, involving provisions for

servicing and replacement of vehicles. In its most basic form, leasing is an arrangement where the lessor, usually a finance company, leases the long as the legal aspects of vehicle in question to the lessee at a predetermined rate. At no time does the lessor lose title to the vehicle and when the contract is terminated, the lessee returns the vehicle to the lessor.

In practice considerable variations exist. Under "open-ended" leasing, for instance, a lease contract may be written over a period of, say, four years, and is written off on that basis. If the operator cancels, beyond a certain minimum period, he may buy the vehicle at a predetermined price. In some agreements, the lessee may maintenance, repairs, and in others there is no participation, where, for example, a vehicle has been written off over a "primary" period, and the fleet owner continues to pay a peppercorn rental over the secondary period.

While it is illegal, in the "open-ended" leasing case, for the lessee to purchase at a predetermined value, an asso-

ciation company can act on the lessee's behalf, selling as an agent of the finance company, thus avoiding the problem—as with commercial vehicles—of increasing the element of service relative to purely financial considerations. British Road Services, the largest organisation in total package transport, has seen a very sharp rise in demand for Contract Hire Services, including a doubling of trucks in the early seventies.

A "closed end" lease is the same as contract hire, without maintenance. Under contract hire, the fleet owner acquires his vehicle, again for a predetermined rate and period, but including maintenance, tyres, road fund tax and a replacement vehicle should the original be off the road for 48 hours. Another form of lease contract, sometimes called a depreciation lease and going under names like "Unlease" (UDT) and "Wheellease" (Lombard North Central) are really arrangements in another name. One of the major changes in the leasing market in the past few years has been the introduction of leasing "packages", largely at the instigation of subsidiaries of American parents.

For Ford Motor Credit, Vauxhall's Master Hire and Chrysler's 2-year service contract, with maintenance included, are examples of this. While it is illegal, in the "open-ended" leasing case, for the lessee to purchase at a predetermined value, an asso-

Lucrative

Another major development has been the speed with which dealers have moved into an area previously dominated by the finance houses. Apart from the movement in used car prices, which makes hiring a lucrative area of business (average profits on contract hire are said to be running at over £500 per car, on average, which is well above potential retail profits), dealers can provide net rate leasing (as in the case of Perry's, Ford main dealers) through their ability to make use of 100 per cent. write-down allowances—a privilege that finance houses, in their recent straits have had to forgo. While this allowance has always been granted on commercial vehicles, as a capital item, last summer saw Godfrey Davis and Ford Motor Credit win a case against the Inland Revenue, which extended the allowance to car contract hire.

Leasing is still very much in its infancy, but the recent turn of events in the economy has emphasised the advantages of hire-based methods of acquisition. This has been enhanced by the development of hiring contracts of great flexibility, most of which can be tailored to the needs of the individual company. Of course every method has its drawbacks, but the industry believes that its most general point, that is that use of the "ownership" of a depreciating asset is what counts for profitability, will gain considerable attention in the near future.

Terry Wilkinson

Backing up the export trade

THE VOLUME of vehicle exports from this country fell during 1975. The teams of salesmen employed by the motor trade had sterling on their side last year—and against the dollar the pound has now depreciated by close on a fifth since last May—but the world industrial recession has had a predictable impact on demand, and price inflation at home has continued to eat into Britain's competitive position in overseas markets.

The upshot was a decline of nearly a tenth for new car exports last year, though the setback in the commercial vehicle market was less marked with unit number sold abroad falling by around 5 per cent., according to figures released by the Society of Motor Manufacturers and Traders.

Last year the number of new cars sold overseas totalled 516,000 in round thousands, against 563,000 in 1974; commercial vehicles exported amounted to 136,000, against 180,000. In terms of cash value the export figures were £483m. (£418m.) and £297m. (£250m.) for new cars and commercial vehicles respectively.

But if the salesmen in the motor industry had their problems last year these were perhaps of limited significance compared to the difficulties experienced by those whose job it is to arrange export financing. Price inflation, currency swings and the increasing danger of had debts against a recessionary business background were just a fraction of what the vehicle financiers had to face up to in 1975.

Nevertheless, the basic structure of vehicle finance has remained unchanged over the past 12 months or so. A little less credit may have been extended in certain cases, terms have been tightened up here and there and the ever watchful eye of the creditor has been just a bit more vigilant. But business is business, and the two-way trade that is so important to this country has been kept ticking over largely unmoored. For the motor trade, its three distinct categories of vehicle operate from a differing financing base.

For cars the maximum period of credit is still around 12 months generally speaking. This continues to be implemented through a distributor's network of sales branches, sub-distrib-

torships and dealers. The major difficulty for the dealer lies with a lack of assets on which credit can be extended—and in order for a motor dealer to finance his trade he needs to have something to pledge.

Those involved with solving this problem normally look first for security in the vehicles themselves, followed by a charge on the receivables. These may be promissory notes held in a trustee bank, or some form of paper to cover any default. Many motor manufacturers have found that it is better to help the distributor to raise his credit locally, perhaps via an overdraft or by means of hire purchase.

Assembly

One constantly changing feature of car exporting is the amount of actual assembly now undertaken overseas (as a pointer to this some 8,000 commercial vehicle chassis worth over £24m. were exported last year). Assemblers tend to require rather longer credit financing given the need to send parts overseas long before a vehicle is completed.

As for commercial vehicles, these tend not to be sold through distributorships but mostly to end-users. Credit terms are normally extended for up to five

years, although for substantial contracts—around the £3m. mark, for example—the period might well be shorter.

These days the commercial vehicle makers may well have to deal through co-operatives of owner drivers. Here, the co-operative buys the vehicle and takes a percentage of the revenue earned from it. A drawback in this method of financing is that co-operatives seldom have assets substantial enough to negotiate credit. For example, in a co-operative of drivers working mixer trucks it is extremely hard to judge the life of vehicles and how to secure guarantees. One of the more obvious methods used these days is to take a charge on all revenues paid into the co-operatives bank account.

In the field of public service vehicle exports—which last year was worth just over £44m. to this country—there is a sector agreement among credit insurers limiting repayments to five years. Naturally enough, the pressure from customers for an extension of these levels of credit is constant; but the notoriously bad profits records among public service operations all over the world have to be improved significantly before current credit rulings can be revised.

The general approach has been for credit suppliers in this

field to seek a charge on future revenues, and on the actual vehicles. But the difficulty in repossessing a fleet of buses from a foreign country can be a near-impossible task. Moreover, when a vehicle is built with, say, a U.K. chassis and body but with a foreign-made engine, credit charges can become a nightmare.

For the most part, it is the Export Credits Guarantee Department that has the problem of unravelling such snags. The ECGD assists exporters (of both goods and services) in two basic ways—against not being paid and in finding the required amount of credit security.

The ECGD, which is Government-controlled and which works in commercial conjunction with the major clearing banks, is able to insure against bad debt whether through default of the customer or other causes—restrictions on transfer of currency, for example, or the cancellation of a valid import licence. At the same time, the Department is able to furnish unconditional guarantees of 100 per cent. repayment to lending banks on which security exporters are provided with the necessary finance.

By progressively widening its insurance in terms of both risks covered and the percentage of losses repaid, the ECGD has made credit insurance an attractive proposition to the exporter. And because trading patterns in export markets have changed dramatically in the last 30 years this is just as well.

Before the war, industry in this country lived mostly off a sellers' market in and around the present Commonwealth; today such trading conditions have largely reversed themselves into a buyers' market, and at a time when terms of export payment have steadily moved from cash to credit—and often to long-term credit at that. This has meant that exporters—and the motor trade is one of this country's biggest export winners—have their overseas accounts at risk for longer periods these days, thus obliging them to have ever-larger amounts of money outstanding.

Jeffrey Brown

The manufacturers take a share

THE MARKETING battle waged by the U.K. motor industry over the last year has involved a great variety of sales techniques. Heavy advertising, special insurance rates and new low-specification "popular" models have all played their part. But the main contest has come down to basic issue of price: how much has the customer had to pay for his new car?

This surely explains the continuing success of the Japanese importers, who have always been able to present an extremely competitive product. The same goes for the Eastern European manufacturers, who showed an extremely rapid growth in sales last year.

In this tight and extremely price-conscious market the domestic producers have faced an additional dilemma. Under the Price Code, increases are allowable only once a quarter, and the code also regulates the new price according to a formula based on allowable increase on the current price. No manufacturer dared during 1975 to miss out on one of the quarterly price rise applications, because it could have meant trying to catch up too much later, and thus prices continued to rise inexorably.

What manufacturers could do, however, was to limit the effects of the increases, and one of the prime methods of doing this has been by low-cost finance. The idea was it on first by the importers. Well before the market began to sink to its cyclical low point last year, Japan's Datsun had pioneered a scheme which allowed its customers a "flat" hire purchase rate of 9½ per cent. (a "true" rate of about 19 per cent.). From this began Chrysler and Vauxhall followed.

run what are in effect their own finance houses. Both the latter companies are an offshoot of the parent organisation; and both are available to retail distributors and dealers to provide the finance for HP deals.

Undoubtedly the hard-selling schemes run by Chrysler in the early part of last year, and backed by the finance arm, had a beneficial effect on sales in the early days. Interest rates on Chrysler HP deals started to go down when the company followed Datsun's 9½ per cent. rate by cutting off another 1 per cent. early in the year. Vauxhall then weighed in with a rate of 8 per cent., to be followed by Chrysler again going down to 7½ per cent.

With the limits imposed by Government regulations on the rate of deposit and the term of repayment, tinkering with the interest rate is clearly the only practical area of flexibility available. To do this, however, even allowing for the fact that the quoted rates need to be roughly double to give a "true" rate of return, implies a substantial element of subsidy. A rate of 12 per cent. is generally regarded as the lowest that a finance house can quote while still making an acceptable return in present monetary conditions; and in good times, of course, rates of 15 per cent. and 16 per cent. have been widely quoted.

Not all the subsidy is provided by the manufacturer. Dependence on individual deals with the distribution network, agreements are worked out which may mean that the individual dealer, who would usually get a commission on a hire purchase agreement, will surrender this. In some cases this will amount to a substantial sum between £50 and £100. But at the same time the manufacturers' willing-

ness to back the scheme is clearly of major significance.

Ford and British Leyland have been less active in the consumer credit field. Indeed, BL does not have an HP arm, although it gave some written backing to a 10 per cent. scheme offered to Leyland dealers by Forward Trust. Ford, despite a large and growing finance arm called Ford Motor Credit, which has roughly £50m. out on HP loans, simply eschewed the clamorous public battle for cut-price credit. It has preferred to concentrate its marketing tactics on producing the cheap popular range, cutting petrol consumption in its cars, and introducing its "value for money" campaign.

The strategy of British Leyland and Ford in soft-peddalling

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The private buyer

AFTER the purchase of a home, for many families buying a new car represents the most expensive single asset they will acquire. As new car prices have shot up over the past couple of years—dragging used car prices in their wake—the potential buyer must not only closely examine that the car he wants fits his needs, but also that he is financing his purchase in the most appropriate way.

As legislation stands at present, HP controls on car purchases still require that the buyer put down at least one third of the purchase price, with the balance to be paid before the end of two years. Many other loan controls were relaxed in the Government's mini-budget last December, and some motor dealers and manufacturers may be hopeful of an easing in controls in next month's spring Budget. But in the meantime a buyer will have to work within existing legislation.

Before taking a look at the financing arrangements possible, it is worth shopping around to see what the dealers have on offer. Some were offering very competitive rates when the manufacturers moved into setting up loan agreements in order to boost flagging car sales. In addition, it is worth taking into account what the dealer's salesman is offering in his "financial package." It is possible to arrange loans through the most reputable dealers, and though these may appear ex-

pensive when looking at interest rates, it may be that the dealer is offering a higher trade-in value on the customer's used car, or a greater discount on the new vehicle, if a loan is arranged through him. Still, the prospective buyer has basically two choices; to arrange a loan or overdraft from a bank or by various routes through a finance house. Understandably, interest rates charged vary from source to source, but broadly speaking those charged by banks fall into a fairly narrow range, while those charged by finance houses, though higher, tend to be in the same area as each other for reasons of competition.

Overdraft

On straight financial grounds a clearing bank is the first line of approach. Covering a car purchase by way of an overdraft could be the best way to go about it, because interest is charged only on the outstanding balance and at a rate of say 3 to 5 per cent. above the base rate, which is currently 8½ per cent. But most banks are reluctant to offer such an overdraft facility for a car purchase, as from past experience the overdraft can drag on, and is not cleared in as quick a way as the discipline of a personal loan makes for. The disadvantage of an overdraft for the customer is that he is left open to fluctuat-

ing interest rates, unlike a loan where the monthly repayments are fixed from the outset. For personal loans the interest charged by the four clearing banks have a close relationship. Both Midland and Lloyds charge a flat rate of 9 per cent., which on a "true" rate of interest over two years is equal to 17.72 per cent. NatWest just pips them at the post with a flat rate interest charge of 8½ per cent., which on a loan over a two-year period is a true rate of 16.71 per cent. Meanwhile a "Barclay-loan" comes out a bit dearer with a true rate of interest of 19.56 per cent. over two years. But then no security is essential for a "Barclayloan," which, understandably, makes interest that shade higher.

It may be possible to negotiate a loan through a clearing bank, with a flexible rate of interest similar to an overdraft, but with a fixed repayment period and monthly instalments. The interest rate would be something like 2 to 5 per cent. over the base rate, meaning, at present, 11½ per cent. to 14½ per cent., depending on the credit rating of the customer. However, loans on this basis from most banks are probably few and far between.

There may be various "sweeteners" offered by the clearer, such as the free life assurance that goes with a personal loan with Lloyds up to the age of 60, to cover the outstanding loan balance.

There are possibly reasons why a prospective borrower is reluctant to approach his bank, in which case he will probably try one of the finance houses direct or through a dealer. Again, as in the case of banks, interest rates from the reputable houses are broadly in the same range, but it is worth looking around, since there are differences.

Typical

A fairly typical set of rates from a finance house through a dealer loan goes something like this. For a new car, the flat rate of interest is 16 per cent., which comes up to a true rate of 32 per cent. if the money is borrowed for two years. Charges on second-hand cars are higher and for a used car up to three years old the interest would be 18 per cent. flat or 36 per cent. over two years on a true rate basis.

For a car over three years old but below five, the flat rate is 20.5 per cent., which comes up to a sobering 42.5 per cent. on a true rate basis for a year. Cars over five years are unlikely to get a look-in unless it is a high-quality model, and finance-house relations with the dealer are good.

It may be possible to obtain a lower rate of interest if the customer approaches the finance house direct. This could mean a trimming of the flat rate by a

couple of points for a new car, and to, say, five points off the true rate. Moreover, it is worth considering whether the finance being offered is on a HP or loan basis. This makes a difference to the title of ownership and becomes most relevant if the buyer defaults on his repayments. Various finance houses also run schemes to attract customers, such as the Instalment Protection Insurance offered by United Dominions Trust. Under this scheme, which is arranged through Lloyds underwriters, for a fairly small cost a client is covered should he fall ill or be made redundant and out of work for more than two weeks. If such a problem arises the underwriters will pay the monthly instalments until the customer is working again.

Another option is the arrangements between the Automobile Association and Mercantile Credit where loans can be arranged for AA members for a flat rate of just 11.5 per cent. or 22.5 per cent. true for a year. So if a bank loan is out of the question, finance through the AA does not look unattractive. But the important point to bear in mind is that it is well worth spending time taking a good look around at what is on offer before entering into an agreement.

Terry Garrett

Trailer rental facilities in growing demand

THE SLUMP in activity in British industry on top of a prolonged period of high inflation has left the road hauliers with severe cash problems which in turn has led to a complete re-appraisal of fleet replacement policies and the financing methods now adopted. Volume of business has been extremely low over the past couple of years and with costs rising at a faster pace than haulage rates, profits and cash flow were rapidly being eroded. Indeed many of the smaller companies incurred losses over this period while a high proportion were forced out of business.

This lack of internal cash resources left the hauliers with little alternative but to use outside financing arrangements such as those offered by the clearing banks, merchant banks and the various finance houses. Many of the smaller businesses which traditionally financed their needs internally found themselves seeking large loans from outside sources for the first time.

Soared

This trend in financing is reflected in the fact that up to the start of 1974 only about 20 per cent. of trailer unit sales was financed by the financial institutions but by the end of 1975 the figure had soared to over 50 per cent. Of course the bulk of this does go to the rental companies, which have blossomed on the financial problems of the hauliers, but it does serve to illustrate the changing needs for the private hauliers.

The climate has clearly been right for the trailer rental companies. Apart from the serious need for the hauliers to keep capital expenditure programmes to a minimum, business has been highly competitive and irregular. This in turn put strains on fleet utilisation projections.

There was little point in purchasing a new trailer if contracts were coming through both irregularly and for short

periods. Moreover, maintenance costs were rising at a rapid rate and it was no longer a viable proposition for the smaller hauliers to continue this internally. Here again the rental companies scored for they offered the complete package, including repairs and vehicle taxing.

Incentive

So if the hauliers were taking on contracts for periods of up to say two years there was little incentive for them to embark on a substantial capital expenditure programme, given the current uncertainty in British industry. It is small wonder then, that the rental companies are now seeing an increasing demand for trailers.

Competition here, of course, remains intense and this factor is reflected in the rates that are now on offer. It is now possible for a haulier to take out a rental contract with a life of up to two years at a fixed rate, whereas in the past the rental companies tended to favour those contracts with inflation proof clauses. This naturally helps the smaller hauliers to budget well ahead with a reasonable degree of accuracy.

The growing use of rental companies over the past couple of years has also lessened the needs for the medium sized haulage companies to subcontract work, as a means of safeguarding utilisation of the main fleet.

In much the same way that rental companies have gained in popularity of late so have the leasing concerns. By and large the leasing companies take up where the rental companies leave off in that the latter tends to be more attractive to the road hauliers if the contracts are likely to last more than two years, although much has to do with the individual's tax position.

The tax advantages to the hauliers of leasing have un-

doubtedly been the governing factor over the past year or so. Galloping inflation has naturally forced the costs of new trailers through the roof which in turn increases the value of the first-year allowances from the Government. But with profits dwindling at a rapid rate the hauliers have had precious little to offset allowances against.

This clearly illustrates the advantages of tax leasing for it enables companies without current profits to take advantages of 100 per cent. first-year allowances by dealing with a leasing company. Equipment is bought by the leasing company to satisfy the particular needs of the haulier who in turn pays the lessor rental. This means the haulier avoids the pitfalls of a hefty capital outlay while at the same time he is in the position to pay rents out of the income generated by that particular piece of equipment.

This all sounds fine for the lessee provided the rates charge by the leasing company are realistic, but the problems of late have been that the lessors have found themselves in much the same boat as their customers. They have had similar

financing problems as well as being short of profit to offset allowances against, which in turn has reduced the incentive to replenish fleets, thereby affecting the availability of trailers.

Plight

The financial plight of the haulage companies and the leasing concerns is surely reflected in the recent figures from Crane Fruehauf, the largest U.K. trailer manufacturer. Turnover here in 1975 was some £2m. lower in terms of value, but considerably lower in terms of volume. No doubt taking account of the financial difficulties of its customers, Crane Fruehauf set up a finance division about four years ago. At the moment the level of outside sales financed by this division is still relatively small in terms of overall sales, but it does show that the manufacturers are well aware of the effects that the serious cash shortages are having on road hauliers.

The problems are even apparent in the manufacturing industries such as food, where transport represents a large

slice of costs. In the past the large companies tended to maintain their own fleets, but they are also suffering from internal cash problems and expenditure programmes are being cut back. Transport fleets are an obvious area to make economies, and more and more use is now being made of rental and leasing.

The growing volume of export business is also tending to favour the renting or leasing of a fleet, given the problems encountered with licences in foreign ports when parts of vehicles come from different batches. With money remaining very tight the switch by road hauliers to trailer rental and leasing and to a certain extent to H.P. and bank loans is bound to continue in the short term. The throughput of business is still very irregular, which tends to suggest that the hauliers are more likely to favour the rental contract. Whether, of course, the rental and leasing companies are equipped to meet this growing demand is another matter given the financial problems that prevail here. But to be fair the climate of late is certainly showing signs of improving.

David Wright

Manufacturers

CONTINUED FROM PREVIOUS PAGE

on HP promotion has shown itself to be at least as sound in the long run as Vauxhall's or Chrysler's method of cheap finance. Chrysler's scheme started with a bang, but as many marketing experts warned, all it seemed to do was pull forward its natural customers to buy earlier than they might otherwise have done. As the months went by Chrysler's market share began to plummet, and it is at least arguable that potential buyers became distracted by what they interpreted as panic sales methods. In the end, of course, Chrysler collapsed into the embrace of the Government.

Vauxhall, too, had a tough year in 1975, although some commentators believe that the seeds of a major revival for the company were sown during this period. But the recovery that has clearly set in since December is probably much more closely related to its new products, the Chevette and the Cavalier, than to anything it has done on the finance side.

The other financial tactic adopted by the British manufacturers and their retailers has been discounting. This has been a much less formalised device, not organised on a national level like the HP exercises but worked out on a dealer-to-dealer basis. But equally it has sometimes had an impact on the manufacturer, since the retail discounts may reflect a larger wholesale discount given by the motor company to its dealer; the agreement may then involve the retailer in cutting the margin on his own dealer discount in order to bring the final price of the car down sharply. Judging by the reasonable financial results produced by the distributors last year this technique has rebounded more on the manufacturers than on the retailing sector.

The financial interests of the manufacturers and retailing groups are also intertwined at the wholesale level. Most manufacturers operate a sale or return system for their cars; this means that car tax does not have to be paid until the vehicle leaves the dealer's showroom, the manufacturer having retained ownership until that point. At the same time, however, a system has developed, pioneered by Ford, whereby the

distributors pay over a deposit on their stock in advance of sales.

This so-called "bulk deposit" scheme has attracted a great deal of criticism from dealer organisations on the grounds that, in effect, it gives the manufacturer the free use of finance which would not otherwise be available. At the time of the B.L. crisis, for example, there was considerable anxiety about the amount of money that had been advanced to the company when it was in a clearly unstable financial position. On the other hand, the manufacturers argue that car dealers, like any other retailers, ought to finance their own stocks. And some manufacturers also advance loans to their dealers at reasonable rates of interest to help finance purchases.

Detracts

Whether the motor companies will get even more closely involved in finance as a marketing weapon is now an open question. Historically, the industry has argued that participation in the retailing side merely detracts from the main task of making and developing new models, and the measures of last year undoubtedly had an element of panic about them. On the other hand, in more normal trading times there are considerable profits to be reaped from operating consumer credit businesses, and it would be reasonable to assume a gradual growth of interest by the motor companies in this kind of activity.

Terry Dodsworth

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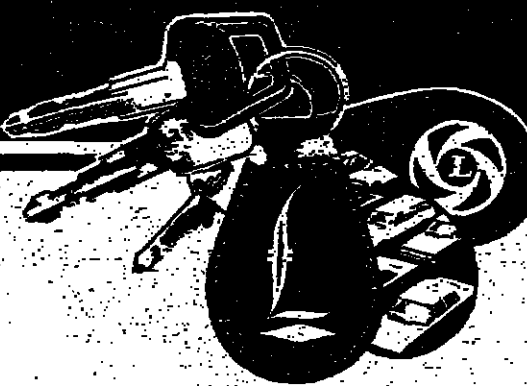
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VEHICLE LEASING AND FINANCE IV

Package deals for company cars

THE PROVISION of a company car to certain employees is regarded by many laymen, including prominent trade union officials, as a perk for executives in the company. But with many industries the company car is a business necessity for quite a number of personnel, many of whom are well below executive level—area managers and representatives are obvious cases. But the cash flow pressures, to which most companies have been subject in the past few years have resulted in a strict examination of the methods of financing company cars, along with examinations of many aspects of financing company operations.

The majority of companies purchase cars outright and write off this asset over two or three years, coinciding with the period of replacement. Thus the obvious move to alleviate immediate cash flow pressure is to extend the period of replacement. Whether this makes economic sense in the long run is open to question. In many cases the company is merely deferring the problem and like most problems that are put off the eventual cost of settlement increases.

In the first place there is the problem of how to finance the jump from comparatively elderly and low-valued cars currently in use to acquiring more expensive brand-new cars. The move to extending the life of a car makes sense if the price of replacement remains comparatively static, but prices of new cars have moved ahead of inflation over the past two years.

The second point about deferring replacement is that vehicle maintenance costs rise predictably with the age of the car. The mileage "norm" for a company car is about 20,000 miles a year, so during the third year the car's mileage is between 40,000 and 60,000, a period in a car's life when maintenance costs are rising faster than the cost of replacement.

Replacing

Companies are now beginning to investigate the cost effectiveness of the various methods of financing the provision of company cars and are looking at what hire purchase or leasing have to offer. This involves consideration not only of the cost of replacement but the cost of maintenance. For instance, replacing on a one-year cycle means that the car is never out of warranty, so that the only servicing and repair work will be before routine maintenance.

The problems facing companies can be divided into two categories, the immediate cash gap and the longer-term of ensuring that the situation is not repeated and aggravated. The first hurdle can be overcome by

raising credit in some form—hence the use of leasing or hire purchase. The second is to ensure the most economical turnaround periods for which the company cars are used.

The leading operators in the field of vehicle leasing are busy producing financial projections to illustrate the financial effects of various turnaround periods, making various assumptions regarding the future increase in the price of new cars. One interesting exercise from Fleet-lease shows that assuming a 20 per cent. increase in the cost of a new vehicle it would cost about £38 a year more to change a car each year against holding it for two years and this has to be set against the higher maintenance costs. But each company should obtain a quote based on its individual circumstances.

The financial advantages of leasing are dealt with fully in other parts of this survey. Most important is the facility of leasing companies to 100 per cent. first year writing down allowances on passenger cars. The 1971 Finance Act introduced this 100 per cent. allowance, but the position was obscure over passenger cars. The British Vehicle Rental and Leasing Association has been holding discussions with the Inland Revenue on this point over the past two years. Initially the Revenue was refusing to allow the 100 per cent. write-down and was contesting a particular case. Recently it dropped the case and is now admitting such claims.

Leasing companies will now be able to pass on the discounted benefits of this first year writing down allowance for ever, quite possible passenger cars in the same way that they have passed on this benefit for commercial vehicles. This will make a considerable reduction in the monthly rental payable; one major finance company has made reductions of the order of 16 per cent. This would explain why many medium and large fleet operators have up to now leased their commercial vehicles but bought the passenger cars.

The other important factor in leasing company cars is that the fleet operator who chooses to purchase his commercial vehicles is entitled to claim the first year writing down allowances for his own company finances. But it is only by using a leasing company that he can obtain the benefit for his passenger cars; he cannot claim it direct. This factor is very important for the individual U.K. motorist, who unless he uses his car for business purposes can in no way obtain the benefit of capital allowances by direct purchase, but may well derive them by leasing if the leasing company sees fit to passing on the benefits.

The ultimate restriction will depend on the form of the absorption of all available profits of the leasing company against which the tax relief can be recovered. Some of the major companies in the leasing industry have had relatively poor results in recent years and have had to impose a restriction on the amount of funds

Encourage

The leasing companies are hoping that they will be more favourable to the forthcoming Budget. They hope that the Government will be anxious to assist the U.K. motor industry by reflecting in better hire and leasing terms. Companies have been loyal to the industry by buying for company use. The leasing companies can be encouraged to be more favourable to the industry by buying for company use. The leasing companies can be encouraged to be more favourable to the industry by buying for company use.

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Rentco people are nationwide



Ron Sprules is Trucking Manager for Smith's Foods. With 25 Rentco vehicles on Contract Hire and up to 16 on transient rental at any one time he must be happy with the service he gets. Smith's can't afford let downs. But listen to Mr. Sprules...

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The industry's structure and services

The leasing and contract hire of motor-cars or commercial vehicles is very definitely a growth business, thanks mainly to the economic climate in the U.K.

The finance houses are well represented—among them UDT, Mercantile Credit, Lombard North Central and Forward Trust—as are the day-to-day rental groups, like Godfrey Davis and Avis. The motor manufacturers, too, are making headway in their own right. Ford has a special scheme which is operated throughout its dealerships, and British Leyland is to link up with Forward Trust, the Midland Bank subsidiary.

At the end of the day, there is very little to choose between the groups in terms of the type of deal offered, though there are, of course, subtle differences in service which each would claim accounts for its individual popularity. The overall trend has been for the services to become less distinguishable if anything, with the pressure of competition forcing the companies to pay more lip-service to their customers.

The rental companies operate their leasing sides as separate entities. For them the growth has been very definitely towards leasing and contract hire—the two are almost synonymous—rather than self-drive hire. It is cheaper, too, for these companies to operate say 3,000 motor cars on a leasing basis than it is to run 3,000

cars on self-drive hire. For a start, the numbers of staff required to run the leasing operation are fewer, since the minimum period is one year, not a day and, therefore, the administration is cheaper.

Supplies

This much is confirmed by Avis, which set up Avis Car Leasing with Forward Trust over two years ago. No figures are available but the group confirms that growth has been very substantial. Clearly, starting from scratch like this makes it difficult to compare with other groups, since in this instance the only way is really up in the early years. But for another indication of the type of advance being experienced one can look at Dial Contracts the subsidiary of Mercantile Credit. Here, the number of cars has risen by 50 per cent. to some 6,000 and profits in the current year are on target to hit the £600,000 pre-tax mark. One of the only real problems is actually receiving sufficient supplies of motor cars to supply to the eager customers. At present Dial is waiting for the delivery of over 500 vehicles.

The real kick in the past two or three years has been the squeeze on liquidity in most companies and for some it has no longer been possible to replace a large car fleet and tie up a huge amount of money. One of the ways around this

problem was clearly to go for leasing.

But even now the liquidity crisis has eased in the corporate sector, the effects of inflation have made it very difficult for companies to contemplate outright purchase. New cars have been rising in value by around 25 per cent. per annum. There has been the tendency for companies to try to run their fleets for three, possibly four years instead of the usual two. The only effect of this is temporary, since even if a large cash outlay is avoided there are increased repair bills, loss of time on the road and higher oil and petrol bills to consider.

The contract hire business, in relation to that is extremely attractive. A car can be hired for a set period with all the maintenance, repairs, insurance even in some cases and road tax in others wrapped up into a package. Inflation is built in so that the cost to the company of running that car is at least known for the duration of the contract. And there are none of the responsibilities of owner.

Furthermore, it is vital for those companies with car fleets to keep their travellers or salesmen on the road for the maximum period possible. If the car breaks down it is possible to pick up a replacement in hours under a contract hire agreement. Godfrey Davis, for example, boasts 200 outlets throughout the country.

The one area, of course, where the leasing/contract-hire package is not applied is for the private motorist. For a company the payments may be laid off against taxation and Value Added Tax is another major factor that the individual cannot get past. It is better for the private owner to either buy through instalment credit, a bank loan or whatever or rental car on a short term basis. The growth in self-drive hire has not been so marked recently—or at least that is the experience among the larger firms—although if there is a growth area at all it is in having self-drive hire motor cars to link up with aeroplanes at the principal airports.

Practices

There are some practices that not all of the leasing/contract hire firms embody into their business. One is the passing on of any benefits in the residual value of motor-cars over and above the original estimate made in the contract. For example, the price of a £3,000 motor-car might be expected to depreciate by 50 per cent. over two years. At the end of the period it might be possible, probably because of the make or perhaps the condition of the vehicle, to obtain £1,700.

That £200 extra should not, by law, be passed back to the

customer directly, as there are a number of in-use which make this possible. One is to customer to have a sub company appointed by hiring company as agents. Thus, if the exceeds the projected offer at the outset of the tract, the £200 in the ex can go to the selling agent then on to the parent. Other method is for there an adjustment made following year's rental. However, the system work in reverse if the value is less.

Service and conditions adapted almost at will as terms like contract hire leasing really merge into other. One the one hand tract hire tends to be the package, with maintenance, replacement etc., in the other leasing tends more of a financial deal. If the latter it is possible for lessee to negotiate the sale purchase of a vehicle, if the customer's wish, and the lessor merely to pick and bill and fix the few charges. But in truth there countless variations and between the two and customer nowadays can say that he knows best. hirer will be only too willing to comply.

Keith Le

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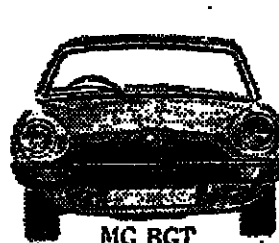
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Communists at the centre of How

a typically Italian puzzle

BY IAN DAVIDSON

The faults of protection

THE CONCLUSION of the Cambridge Economic Policy Group, that long-term import controls are needed to allow even a modest increase in real personal income over the next few years and to prevent unemployment from rising to a level higher than at present, deserves the attention which it has received. Not only do the authors of the report, a high professional standing, but the idea of import controls is already in high favour among trade union leaders and on the Left wing of the Labour Party.

For the Chancellor, who has so far made only modest concessions to the TUC in this direction and is at present seeking its co-operation in a new phase of voluntary pay restraint, the timing of the report is certainly unfortunate. He could argue fairly, and probably will, that it takes far too little account of the international repercussions that would follow any such action.

Supply problem

But there are other arguments against protection that may have more effect. The advocacy of widespread import controls, for example, assumes that the goods which are no longer available from abroad will be produced instead at home. But is this assumption justified? To take the single case of British Leyland, we could undoubtedly be exporting a great many more cars and cutting down heavily on imports at present if potential domestic output were forthcoming; but it is not.

And there are uncertainties about the attitude of management as well as labour in such a situation. If, as seems most likely, the import controls were expected to be fairly short-lived, the level of new investment would not necessarily be higher than otherwise, and scarcity would exacerbate inflation. If it were somehow made clear, however, that controls were here to stay for several years, a different argument

No incentive

For there is no reason—and this is perhaps the strongest argument against widespread import controls—to suppose that British firms, freed from the pressure of outside competition, would suddenly begin to produce more efficiently and more in tune with the demands of the market. Indeed, the very opposite is the case. The authors of the Cambridge report base their conclusions on the uncompetitive state of British industry, but their main conclusion would help to make it less competitive still.

We ourselves have no alternative panacea to offer: we have not yet lost all faith in traditional methods of economic management when properly applied. The nearest we can get to a simple slogan for economic recovery is a reduction in the proportion of national output absorbed, whether in manufacturing, services or public administration, by the public sector. The Government itself has concluded that the previously projected growth rate of public expenditure is unrealistic and is taking steps to hold it back. Given the latest information about the recovery of business, at home now as well as abroad, we believe that we can now afford to go further and begin to cut back on public expenditure this year.

Senator Humphrey thinks it over

IT IS only five weeks since the first of the 1976 U.S. primary elections took place in New Hampshire, though it seems longer. The results have not so far been decisive, but on both sides certain preliminary, if rather negative, conclusions can be drawn.

For the Republicans President Ford seems to have successfully beaten off the Right wing challenge of Mr. Ronald Reagan, the former Governor of California, despite the latter's victory in North Carolina last week. For the most part it has been a steady string of Ford victories, which is more than could have been safely predicted a few months ago. The President has been obliged to trim a little along the way—for example, in dropping the word "détente" in favour of "peace through strength"—but he has had little difficulty in establishing that he is himself a conservative Republican. That was the weakness of the Reagan challenge; had it been mounted against a more liberal incumbent, like Mr. Nelson Rockefeller, the outcome might have been different.

Economy

The past few weeks have also brought a succession of economic indicators which at the very least can do the President no harm. Unemployment in February was down to 7.6 per cent. from a peak of 8.9 per cent. last May. Wholesale prices have either fallen or held steady for four months running and this is beginning to be reflected in consumer prices. The unemployment figure is, of course, still high, but whereas a few months ago the Democrats were expected to exploit the economy as the main campaign issue, this task is now becoming harder. President Ford is entitled to say that things are getting better.

The Democratic line up is in any case still far from clear. As with the Republicans, the extremist candidate—Governor Wallace of Alabama—seems to have become a spent force, but the race between Mr. Jimmy Carter, the former Governor of

Strategy

If Senator Humphrey really wants the Presidency, this might well be the sensible thing to do. For it is clear that the Democrats have not yet developed a coherent strategy. The liberals among them have almost all withdrawn, while Senator Jackson and Mr. Carter have little in common they might as well be running for different parties. The outlook would become more worrying from the Democrats' point of view if it were assumed that President Ford might now at least hold his own on the economic issues. It is also possible that if the economic debate were to be inconclusive, the Democrats would have to find alternative ground on which to fight. The most likely would be foreign policy. For the Democrats, Mr. Carter offers only inexperience and indeed has made only one foreign policy speech. Senator Jackson has the knowledge and might produce a glittering Cabinet (Dr. Schlesinger back at the Pentagon and Mr. Moynihan, lately of the U.N., as Secretary of State). Yet the Jackson challenge on foreign policy is not unlike the Reagan challenge: President Ford can adapt to it by showing his own "hawkishness."

TWO points can be made of the current political and economic situation in Italy. The first is that things cannot go on as they have been for very much longer. The second is, unfortunately, that perhaps they can. The country offers all the signs of tottering, through the economic crisis, towards the cliff of ungovernability, paralysis and disintegration.

One might think that, even at this late hour, the Christian Democrat Party, which has held power for 30 years, and which still, astonishingly, retains the vestiges of legitimacy as Italy's natural governing party, would take a grip on itself, clean out the Augean mess of feudalism, nepotism and corruption which has brought Italy to its present pass, and reassert some of the principles of clean government in the hope that this might stem the tide flowing in favour of the Communist Party.

One might think that the Communist Party, whose vote at last year's provincial elections brought it within spitting distance of the Christian Democrats, would be ready, able and willing to take over the reins of power at the earliest opportunity. One might even think that, if the country is heading (as many Italians seem to believe) for a Latin American situation, then the moment might well come for somebody to try a Latin American coup d'état.

Yet none of these suppositions so far amounts to a genuine probability. The Christian Democrat Party has just held a passionate, unruly and at times hysterical congress. At no point was there any serious attempt to debate economic policy or the problems of government. Instead, the sole object of their concern, personified in a battle between rival factions for the top job of secretary of the Party, was a debate over whether it would be better to stand out against any deal with the Communists, or to feel for some oblique accommodation with them.

Perhaps the biggest

The Communists ought by rights to be full of confidence. Their striking advance at last June's provincial elections made them, for the first time, credible challengers to the Christian Democrats. A straight-line extrapolation of their recent progress at the polls could make them the single biggest party in Italy. Of course, a straight-line is as improbable in politics as in economics, and in a traditionally Catholic West European country a party which calls itself Communist is almost bound to encounter increasing voter resistance the nearer it gets to 50 per cent. of the electorate. Nevertheless, the

Broken-backed minority

At the investiture earlier this year of the broken-backed minority Christian Democrat Government under Sig. Aldo Moro, Sig. Enrico Berlinguer, the Communist Party Secretary, warned the Prime Minister that the DC (the Christian Democrats) might be forced to choose between a DC-Communist coalition (the so-called historic compromise) and going into opposition. This was the first time that the Communists had opening held out the possibility of their leading a Left-wing Government. Yet it is only two years ago that the Communists still want really a coalition with the Christian Democrats. They do not feel themselves to be strong enough to govern alone or with the help of the smaller parties.

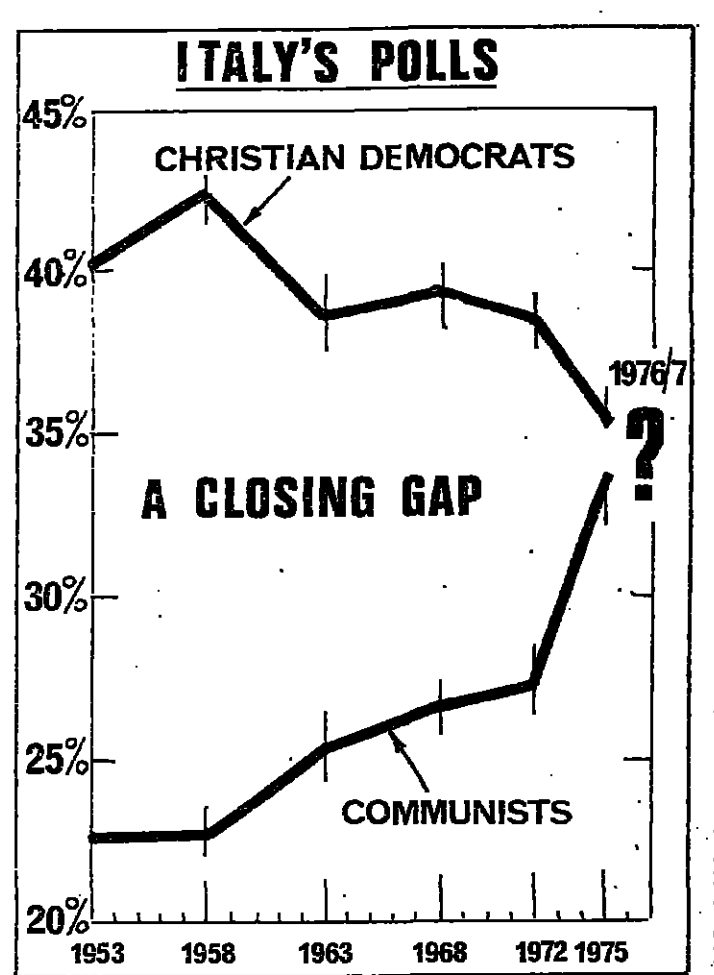
The problem of the Communist Party—and in a broader sense it is the problem of Italy—is that a great many Italians owe their livelihood, or a large part of it, directly to the Christian Democrat Party. The bloated bureaucracies of the public service, the para-State organisations, the nationalised industries are stuffed with placemen, many of whom do no more than draw their pay.

The core of Communist support lies, by and large, in the industrial working class which is not, by European standards, extravagantly paid: a large part of the Christian Democrat Party's support lies in the national bureaucracies which are there to implement government policies. That is one reason why the Communist Party can scarcely contemplate leading a Left-wing coalition unless the coalition were able to count on considerably more than half-say 60 per cent.—of the electorate.

Against this background the small but influential Republican Party has proposed the negotiation of a common programme, on a limited number of points, by the Christian Democrats, the Communists and the Socialists.

In Republican eyes Italy needs restrictions on wages and public expenditure; wage restraint calls for sacrifices—from a primarily Communist clientele—public expenditure curbs require sacrifice from a primarily Christian Democrat clientele, and the two must go together.

The object of the exercise, from the Republican point of view, would not be to bring about the *compromesso storico*, but rather to avert any necessity for it. This is not because the Republicans fear that the Communist Party might actually introduce Communism into Italy: they appear to take the view that the "liberalism" of the Communist



leadership has turned it into something virtually indistinguishable from the attitude of the PCI. No Party. They profess not to doubt the sincerity of Sig. Berlinguer's ostentatious claims of independence from the Soviet Government, though given the fact that the overt entry of the Communists into government would introduce an element of uncertainty into Europe which might prove destabilising see that this or any other attempt to exclude Italy from its existing role in the Alliance would be a profitable exercise so long as the Communist Party claims to wish to remain a member of Nato.

Even if the PCI (the Communists) is the kind of party it professes to be—that is to say, it is not qualitatively different from many Left-wing non-Communist parties in Western Europe—its entry into Government could be disastrous.

ruptive because of the unpredictable reactions of foreign Governments, notably that of the U.S. The U.S. has been outspoken in its condemnation of any concessions to the PCI. Yet it is difficult to see what Washington could do to prevent or undermine Communist participation in the Italian Government, without at the same time further weakening the Atlantic Alliance.

The U.S. Administration took the entry of Communists into the post-revolutionary government of Portugal as justification for excluding Portugal from participation in Nato's nuclear Planning Group. But the Portuguese Communist leader

Do the Communists mean what they say? Are they really in favour of Western European integration? Are they really in favour of democracy—or pluralism, of individual liberties, or small enterprise, of trade liberalisation, of planning agreements rather than wholesale nationalisation? In most of these respects, the PCI's declared policy contrasts rather starkly with the declared policies, despite recent emendations, of the French Communist Party. Clearly, no certain answers can be given to such questions without trial, and possibly error. But there are plausible reasons for supposing that they mean, at least some of the things that they say.

The central question is whether the Italian Communists are genuinely committed to the principle of European integration. So long as the European Community remains relatively democratic and pluralistic, it will require certain minimum standards of democracy and pluralism of all its members. My impression is that the Italian Communists are so committed—at least for the time being, and it would be unreasonable to expect to look into the distant future, Italy has been a united country for a very short time, by European standards; many Italians maintain that it is still not united, and that that is one reason for the failure of the political system and the disintegration of the State. Many Italians, from all parts of the political spectrum, also maintain that the European Community offers the perspective of a second, European phase of risorgimento: PCI support for the principle of direct elections to the European Parliament certainly contrasts strangely with the attitude of the Left-wing of the Labour Party, the Right-wing of the Tories, or the Gaullists and the Communists in France. Fascism lasted much longer in Italy than in Germany, and PCI support for liberal trading policies, against a background where Italy's economy has become heavily dependent on trade with the rest of the Community, can be explained, at the minimum, as a reaction against the autarkic policies of Mussolini. Thirdly, if the PCI wishes to resist ideological subservience to the Soviet Union, it has no alternative but to recourse to closer relations with Western Europe.

Finally, the Italian Communists, like everyone else, can see what the Soviet model of Communism leads to. Of the 33

East European jokes

Events and the hopes of the Christian Democrats will doubtless decide soon Italy and the time being, and it would be unreasonable to expect to look into the distant future, Italy has been a united country for a very short time, by European standards; many Italians maintain that it is still not united, and that that is one reason for the failure of the political system and the disintegration of the State. Many Italians, from all parts of the political spectrum, also maintain that the European Community offers the perspective of a second, European phase of risorgimento: PCI support for the principle of direct elections to the European Parliament certainly contrasts strangely with the attitude of the Left-wing of the Labour Party, the Right-wing of the Tories, or the Gaullists and the Communists in France. Fascism lasted much longer in Italy than in Germany, and PCI support for liberal trading policies, against a background where Italy's economy has become heavily dependent on trade with the rest of the Community, can be explained, at the minimum, as a reaction against the autarkic policies of Mussolini. Thirdly, if the PCI wishes to resist ideological subservience to the Soviet Union, it has no alternative but to recourse to closer relations with Western Europe.

MEN AND MATTERS

Who brews the best beer?

Carlsberg, the Danish company which coined the advertising slogan "probably the best lager in the world," was apparently right to carefully avoid being over-positive with its slogan. And following the judgment of 30 of Britain's leading head brewers it may still have to think again.

The brewing panel have just been sipping their way through 104 different bottled lagers from practically every beer-producing country in the world to find "the best in the world." According to the experts, Carlsberg, Tuborg, and British or international alternatives such as Skol and Carling Black Label, take a back seat: the winner was Mauritsius Breweries and, if you think that is unlikely, the runner-up was Brasserie du Benin from Lome in the Republic of Togo. None of the 34 U.K. entries was judged to be worthy of even a "place."

The larger competition was just one of five for which results were announced yesterday. Venue for the decisions was the International Brewing, Bottling and Allied Trade Exhibition at Earls Court—or, in shorthand, Brewex '76.

The results must have surprised even the brewers themselves, although the organisers of the exhibition may have had some premonition of what was likely to happen in the larger stakes since, for the first time, they introduced a competition for the best U.K. draught lager. That attracted 41 entries and was won by Matthew Brown of Workington. Allied Breweries was the only one of the "big six" breweries to win any sort of prize—coming second. In this particular event through its Alcoa brewery in Scotland.

For the rest it was the small

brewers who dominated the events. For example, the Ann Street Brewery, a tiny concern based in St. Helier, Jersey, won the award for the best U.K. bottled beer. The best "real ale" award—formally titled "the best U.K. cask-conditioned draught beer"—went to the Felinfoel Brewery, Dyfed, South Wales.

Altogether it would appear that Britain's head brewers are rather closer to CAMRA (Campaign for Real Ale) than they are to their own advertising departments—who insist that the non-prize-winning beers which they promote so heavily are the ones that we really want to drink.

How can they miss?

No names, but there are some tennis stars who have a tendency to hurl their rackets at the ground when the game isn't going well. Even they may think twice, I reckon, before maltreating the newest racket on the market, the Phantom. Slazenger, who make it, claim great things for the Phantom, but the really amazing point is the price: £115 each, which the company says proudly makes it the first in the world to retail at more than £100.

The Phantom is made of an unlikely material, as the publicity makes clear: the racket is said to have "an unmistakable sensation of control and power without vibration—a property unique to graphite."

It is also claimed to have a complete absence of torque, an aerodynamically-designed frame to reduce air resistance, and is supposed to be kinder on all the relevant muscles to boot. Britain's Ann Jones will be one of the first players to wield the Phantom in earnest on this year's World Team Tennis pro-



"Never mind pollution—concentrate on do-it-yourself assembly!"

enticing "founder subscriber's offer" at a mere £3.60.

ISR is the ninth scientific journal launched by the engaging Gunter Heyden. The first issue had a 3,000 print run: it is edited by two chemist-journalists, Dr. Anthony Michaelis and Dr. Peter Farago, and is a very highbrow quarterly indeed, with no less than eight Nobel laureates on its editorial Board.

Publishers in Fleet Street and elsewhere will no doubt be intrigued when Heyden says he can break even with the magazine with a sale as low as 1,500. Heyden started in publishing on his own some seven years ago, first selling a U.S. science journal around Europe. Before that, his British career had begun with Czech-born Maxwell, who brought him to this country from Berlin in 1950 at a salary of £3 a week. Heyden recalls his boss giving an early lesson in cost-cutting. He once requested a rise, and was asked why. "To buy a new coat," he explained—and he got a new coat, not the money.

Melonious

There was once a melon tree, and all the melons were round and smooth except one, which was very hairy. The smooth melons took a dislike to the hairy one, and decided to get rid of it by shaking the tree. The hairy melon was caught off guard and fell. It rolled to a standstill at the feet of a lamb. "Hello, lamb, how are you?" asked the melon. No reply. "Come on," persisted the melon, "why not be friendly?" At which, the lamb broke into song: "Cos I'm shy, hairy melon, I'm shy..."

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How Scotland could rescue Britain

IF THE Scottish Nationalists maintain their present level of support in Scotland then it will be very nearly impossible for any major party to win an overall majority at the next election—unless one of them manages to win by a landslide in England. I have larded this opening proposition with "ifs" and "buts" because no prediction of this kind can ever be certain; if pressed I would put it more strongly and say that if the man elected to be the new leader of the Labour Party this week calls an early election the most likely outcome will be yet another minority Government.

The consequences of a change from single-party majority to largest-party minority Government could be of major importance to every section of our society. The brief spell of minority Government that we enjoyed between March and October 1974 indicated that one advantage of such a state of affairs can be the postponement or abandonment of some of the madder items on a party's election programme. The spell of minority Government that we can look forward to if the Labour Party loses the affiliation of one more MP—in a by-election, to the new Scottish Labour Party, or following the possible departure of Mr. John Stonehouse—will no doubt prove the same point all over again. It seems that there really is a silver lining: if the present mood of national dissatisfaction persists the gain could be the end of rule by the overriding majority of one or other of our two class-based parties.

Before following this thought

any further it would be best to set out the arithmetic. The 12 Northern Ireland seats at Westminster will be taken as given, on the present pattern, because it is hard to see why an election should change them. Count one seat for Labour and the others as somewhere between props for the Tories and un-

It is necessary to win 318 seats to establish a majority over all other parties in the House of Commons. If you give Labour all its 41 Scottish seats (assuming that the two Scottish Labour Party renegades return to the fold), plus its dependable supporters from Ulster, plus all its Welsh seats,

Tory landslide as big as that of 1959, or, if you give her the Ulster Unionists, the lesser Conservative victories of 1955 and 1970.

For on our assumption of no change in Scotland the Conservatives start with a mere 24 seats outside England (leaving

now the largest single party in Scotland. It should improve substantially on its present holding of 11 seats if the next election comes soon—and every seat it takes from one of the two major national parties will make it that much harder for either of them to achieve an

suddenly discovered that after all they really rather liked the idea of a British federation. Happily, there is no telling where a Scottish election might end. Who in Whitehall can really assert with a straight face that Scotland's affairs are better managed from London than they would be from Edin-

burgh? The Welsh would certainly do better with a Cardiff administration. If there were regional governments in England the decisions that most people consider to be important—on health, housing, education, welfare, or local transport—would be taken by governments closer to the people; if this could only be made practical by transferring some of the power to raise taxes, and manage or mismanage the economy, from London to regional authorities, then so be it. If it also meant the abolition of some intermediary local authorities (like Strathclyde, say, or the Greater London Council), that would be fair game.

This is not the currently fashionable view in Westminster. All kinds of horrid visions are conjured up when the mildest dose of devolution to Scotland alone is mentioned. But where else is the truth to be found? The truth is that the South-East of England is a closely knit society from votes are concentrated in the north, Wales and Scotland, and that they carry so much potential power. The South-East has a greater preference for owner-occupied housing, for example, and its schools, therefore, are under the present rules—under our present rules—it is less effective at Westminster.

Predict

For the same reason the benefits of minority Government are harder to predict than they would be if, say, the Liberals held a clear balance of power. The Scottish Nationalists would probably support a Labour administration rather than a Conservative one because, as matters stand, Labour's bid on devolution is the highest. This could be changed by a Tory counter-bid. On other issues, I am delighted to say, a minority Government could never be absolutely sure that Parliament would accept what was put before it. The recent withdrawal of the proposals for metropolitan elections is one indication of what this could mean; a forthcoming vote on, say, the nationalisation of shipbuilding (where the Labour Party that it discovers some attention to the unspoken rules for that to work. In our rougher times we need to have as much as possible in writing. Again, the advance of the Scottish Nationalists may yet in every act of social policy, cause such a panic in the Labour Party that it discovers some of the provocatively ideological legislation of the early post-1970 "Thy type or the 1974-75 Labour kind, might in future be avoided. Too much to hope for? This early spring fancy could be shattered by, say, a major-party landslide—let us enjoy the mellowing to build on the advance of one particular party in one part of

Unreasonable

It would be wholly unreasonable to take Scotland as given, for the big question is how many seats will the Scottish Nationalist Party win next time? Perhaps the best way of assessing the significance of this is by starting with the assumption that there is no change in Scotland either. The October 1974, dispensation was: Conservative 16, the lowest number of Scottish seats won by any time since the war: Labour 41, a better result than February 1974, but worse than in any of the three preceding elections; Liberal 3; and Nationalist 11.

plus the Welsh Nationalists for good measure, then the Party needs to win 250 seats in England to add to the rag-bag of 48 Celtic seats; without its present SDLP and Plaid Cymru supporters or the Scottish renegades it would need 256 seats in England only twice since the war: in the landslide years of 1945 and 1966. It has come near to this total on only two other occasions—1950 and October 1974.

To do so again in an early election would require a new Prime Minister and Cabinet to be so popular that it could overcome both whatever vote-pulling power Mrs. Margaret Thatcher has and the possible defection to the Tories of a number of Liberal voters. Well then, it may be said, could Mrs. Thatcher not win by winning in England? The answer is that she could—if she managed a

side the Northern Irish). They thus need 294 to get to the overall majority total of 318; you can guess the size of the task by recalling that in October 1974 they won 253 seats in England while even in 1970 they won only 292. The rub comes when you assume that there will be a change in Scotland: this would, of course, affect the above arithmetic for both major parties, and for the worse.

The table shows the continuing growth of support for the Scottish Nationalist Party. I am indebted to System Three Scotland for its opinion poll figures: these are backed up by a poll taken last December by Opinion Research Centre and ITN, and by a long-running series of regional and local by-elections. The SNP took a great leap forward after the last White Paper on devolution was published in November and is

British society could benefit from such a change. Like a patient in an advanced stage of a debilitating disease, our policy suffers from so many troubles nowadays that it would be foolish to point to a single one of them and proclaim, "cure that and you cure it all"—yet the prospect of institutional reform is one sign of hope in a generally distressing atmosphere. For if my arithmetic is on the right lines the really important event of 1978 will be the auction for Scottish National Party support. The Labour Party (Scottish branch) put in as good a bid as its divided ranks could muster last week-end, which means that there will be pressure to improve devolution terms now being offered by the Government. The Conservatives are desperately worried about what to do; it would not surprise me if they

burnt? The Welsh would certainly do better with a Cardiff administration. If there were regional governments in England the decisions that most people consider to be important—on health, housing, education, welfare, or local transport—would be taken by governments closer to the people; if this could only be made practical by transferring some of the power to raise taxes, and manage or mismanage the economy, from London to regional authorities, then so be it. If it also meant the abolition of some intermediary local authorities (like Strathclyde, say, or the Greater London Council), that would be fair game.

This is not the currently fashionable view in Westminster. All kinds of horrid visions are conjured up when the mildest dose of devolution to Scotland alone is mentioned. But where else is the truth to be found? The truth is that the South-East of England is a closely knit society from votes are concentrated in the north, Wales and Scotland, and that they carry so much potential power. The South-East has a greater preference for owner-occupied housing, for example, and its schools, therefore, are under the present rules—under our present rules—it is less effective at Westminster.

Letters to the Editor

The Dock Work Bill

From The General Manager,
The National Association of Port Employers.

Sir,—Although I agreed with much of your leader of March 23 on the Dock Work Bill, you repeated a popular misconception that the Bill, as drafted and when enacted, will result in men being deprived of their jobs to make way for dockers. At most the extension of the dock labour scheme will result in a slow infiltration, as vacancies arise, of work newly classified as dock work. The immediate problem of surplus labour in the docks arises in the next two years and the Bill will do little if anything to alleviate it. By the time it begins to have an appreciable effect, dock employment will surely have approached a position of greater stability and we should be thinking about planned recruitment.

The Port Employers have stated repeatedly that the Bill is the wrong way to deal with the problem of technological change in the docks. Its effect, and as far as we can tell, its purpose will be the extension to employers outside the ports of a particular form of workers' control inherited from the last war, namely statutory registration of employees, a system which provides total job security for the privileged few to whom it is extended. In the last seven years the industry has spent £30m. and the taxpayer another £30m. securing, not without difficulty, a voluntary reduction in the register of dock workers consistent with the reduction in labour requirements brought about by technological change. The Secretary of State for Employment would now have us stand on our heads by embarking on an increase in those registers.

Far from helping the docker, a consequence could be more competitors for the docker's job and a new, and at this point open-ended, liability for port employers and ultimately port users. The ports industry has put these arguments to the Secretary of State; the tragedy of the situation is that he is not prepared to listen.

E. Bainbridge,
3/5, Queen Square, W.C.1.

Executives' pay levels

From The Deputy Chairman,
Reed Executive.

Sir,—Mr. David Plastow (March 25) is to be congratulated on taking the opportunity to speak against the effects of the present taxation rates at the Young Businessman of the Year Award luncheon. On our observation he speaks for many beyond Rolls-Royce Motors.

Gone are the days of mild disenchantment and disappointment with what has been for a long time a poor deal. Substantial numbers of British executives now carry within them a seething discontent at the exploitation of their minority position. They know they are being made fools of. Many are determined to leave, and the foreigner is steadily taking their place, while it may be a solution for the individual, is regression compounded for the nation.

What is required is some decisive action in the April Budget (your own taxation correspondent begins to suggest how) coupled with an undertaking that

it is not a momentary change, followed by an acknowledgment from the breadth of the nation through its organised forms that international standards of leadership (lower standards are no good to us) should ungrudgingly receive international standards of take-home pay. No one is going to be convinced by anything less.

B. H. Mason,
13-15, Sheet Street,
Windsor, Berkshire.

Metritation and inflation

From Mr. F. Peachey,
B. H. Mason,
13-15, Sheet Street,
Windsor, Berkshire.

Sir,—Surely, the inflation effect of devaluation was due to the fact that the smallest new unit was 2½ times the values of the one it replaced. Five times if we accept that the 1p coin was conceived for quick obsolescence, Britain would have retained a far more stable price structure if we had opted for the 10-shilling pound, like Australia, South Africa and New Zealand. In this way, too, £1.8 would have equalled 18/- in the old money—a simple and quick check on values.

There is no reason why metritation should automatically result in higher prices, and legislative regulations could easily be framed to make any such practice an offence. Our trouble as a nation is that for lack of clear thinking and practical common-sense we wander to and encourage inflationary tendencies.

F. K. Peachey,
12, Church Road,
Leckhampton, Cheltenham.

Opposition to new measures

From Mr. S. W. Penwill,
Sir,—The possibility of a smooth transition into metritation, if it ever comes about in face of the ingrained opposition of the bulk of the population, will surely not be helped by the famous examples of the Metritation Board and advertising showing that Elinor Goodman's report on March 24.

It is a waste of money to condition people to translate metric measures back into feet and pints, when it is those old measures that have to be forgotten. This is so in spite of the fact that, despite the introduction of centrifuge temperature measures several years ago, the majority of people still think of a hot summer day in terms of 75 degrees, and the old system is perpetuated in the broadcast weather forecasts.

S. W. Penwill,
138, Fenchurch Street, E.C.3.

Equity bank

From Mr. D. Black,
Sir,—Mr. Laybourn's letter (March 24) advances several reasons why he thinks pension funds should support the proposed equity bank, but do they make any sense in our economic situation today? The contributor to a pension scheme rightly expects the pension fund manager to look after his interests and to avoid investing in doubtful projects. It is his future pension he is concerned about, not the hypothetical advantage to other people by investing in, say, shipyard machinery.

Mr. Hopkinson (March 12) understandably found that the committee system of institutional investment produced no

benefits at all in trying to pep up sluggish management and it must be very doubtful whether the equity bank will fare any better, even with a seat on the Board. Some of the biggest disaster areas in recent years have had well-known and highly regarded "names" on their Boards.

A reduction in unemployment is very desirable, quite apart from Mr. Laybourn's desire to see more members in every pension scheme, but if numbers employed are to be the criterion, the quickest answer is not to be selective, but to increase over-manning in State industries and impose taxation on pension schemes to pay for it!

A Government guarantee of an 8 per cent. return on equity bank capital simply amounts to yet another State scheme to prop up dying and inefficient industry, one replaced by five times if we accept that the 1p coin was conceived for quick obsolescence, Britain would have retained a far more stable price structure if we had opted for the 10-shilling pound, like Australia, South Africa and New Zealand. In this way, too, £1.8 would have equalled 18/- in the old money—a simple and quick check on values.

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F. K. Peachey,
12, Church Road,
Leckhampton, Cheltenham.

Battle lines over maps

From Mr. C. Togg,
Sir,—Men and Matters (March 24) reported on the battle between the Map Publishers Group and the Ordnance Survey with regard to the new royalty charges inflicted on map publishers.

I feel that with all due respect to Alan Dalgleish, director of Ordnance Survey map publications, he completely side-stepped the issue. To say that mass producers were only contributing about 5 per cent. of royalties is all very interesting, but what is 5 per cent. and of what?

The increase which he quoted (0.7-2.6p) which is a rise of 271 per cent. may well be correct but what he failed to add was that any increase in the royalty must be totally reflected in increased map prices to the public. He also knows only too well that commercial publishers have to operate within an established trading situation, discounting to wholesalers and retailers. Therefore, the 2.6p on a single sheet map represents an increase of 71p on the price paid by the public of say, 12p. That same atlas will attract a charge of 45p this year, and don't let's forget that royalties will again be increased in 1977. But increased prices are not the only aspect of the "new look" Ordnance Survey which affects and worries us.

It appears that the Ordnance Survey is now acting as a censor where map production is concerned. A report in the spring

edition of Rucksack, the Journal of the Ramblers Association, states that Ordnance Survey has charged the Bromley Consumers Group a royalty of 11p per copy (plus VAT) on a reprint of the Countryside Map, and has said that no further reprints will be ordered by the Government. The reason given is that OS has published the second series of 2½ inch maps showing rights of way covering the same area, and the group's map which has sold 7,000 copies at 20p will, if it continues, reduce sales of the Ordnance Survey map.

Is this just the thin end of the wedge as far as commercial map publishing is concerned in this country, and which will be the next "competitive map" to fall under the Ordnance Survey axe?

Colin C. Tagg,
Press Officer,
The Map Publishers Group,
c/o Geography,
Colney Street, St. Albans, Herts.

Independent businesses

From The Hon. Treasurer,
Association of Independent Businesses.

Sir,—I was interested to read in your report (March 26) that Mr. John Bolton has urged banks to give more discretion to local branch managers in lending money to small businesses and that the City institutions should devote a larger proportion of their funds to helping the independent sector. Splendid sentiments and I heartily endorse them.

But what is the point of such facilities for small independent businesses are to be forced out of existence come what may? The present tax legislation ensures that if capital transfer tax does not kill them off then the proposed wealth tax will most certainly do so.

If Mr. Bolton's recommendations are to have any real meaning then the Chancellor of the Exchequer must heed the Association of Independent Businesses plea "for special measures to protect the shareholders of independent businesses" from the impact of capital transfer tax and the proposed wealth tax."

Furthermore, if the Chancellor wishes to be really helpful he should devise a scheme which would protect profits which are ploughed back for expansion to be exempt from tax.

W. G. Poeton,
Europe House,
World Trade Centre, E.1.

Options in fuels

From Mr. J. Marshall,
Sir,—Mr. W. C. R. Whalley on jet fuel (March 13) has given some interesting figures for the production of hydrogen by the water-gas process from bituminous coal. The extraction efficiency given by him is 53.8 per cent. and as he says, it is not possible to produce hydrogen with expensive labour and deep seam coal. When the hydrogen is obtained, it must be carried in cryogenic form, and this is an added cost and weight to the aircraft.

Methanol CH₃OH, or in mixture form, known as "methyl fuel" in the U.S., may be extracted from coal at an extraction efficiency of 77 per cent. That is, 26 tons of coal will produce 20 tons of methanol. Its present production in the U.S. is small because crude oil is still plentiful and cheap. Methanol is an excellent fuel for all types of internal

combustion engines. Whether reciprocating or gas turbine, and it may be mixed with gasoline.

At \$11 to \$13 per 35 gallons of crude oil, the cost of producing kerosene, gasoline or diesel is still low, but the penal taxation levied by all European Governments has made these fuels very expensive to the users. As the oil now draws to a close, and the Americans refer to the year 2020 as the "perturbed" year, the cost of extracting fossil fuels will escalate.

Electrolytic production of hydrogen and oxygen from H₂O is efficient provided current is obtainable at the right price; hydro-electric power being ideal, or from wind, solar or tidal, or by balancing the off-peak load from nuclear or fossil fuel power stations. There is possibly another method of producing methanol from limestone, which is an abundant material, but very little seems to have been done about this process. Other fuels which have been used in the IC engine are, acetylene, acetone, producer gas, town gas, methane, butane and propane and the alcohols.

The metal platinum is vital as a catalyst in the production of gasoline, but perhaps fortunately for the West, it is practically indestructible and has an exceedingly long working life once installed in the Refinery. Southern Africa is presently producing 70 per cent. of the world's platinum production. It is possible that the seizure by Russia of all the metals produced by Southern Africa would not prove disastrous to the production of gasoline in Europe, but the effect of losing this copper, chrome, nickel, tungsten and vanadium output would be very serious indeed.

J. W. Marshall,
Elsdon,
Walpole Drive,
Ramsey, Isle of Man.

Too, too simple

From Mr. A. Wood,
Sir,—Would it not have been better for both Britain and the Government, had Labour MPs been able, simply to mark one ballot paper, one to six, in order of preference? Or would that be too easy?

A. R. Wood,
489, London Road,
Dagenham, Northwich,
Cheshire.

Stimulus to export

From Mr. J. Harbot,
Sir,—We read every other day that lack of investment by British industry is a major cause of our economic ills and although this is probably true in many areas I have a strong impression that there is considerable spare production capacity available if our salesmen could produce more orders from overseas.

Would it not then make good sense for the Government to provide powerful incentives to greater overseas sales effort perhaps in the form of grants towards overseas sales and marketing costs? I suggest that such grants might prove to be an accurately directed stimulus to our export effort especially for those smaller companies which are probably reluctant to take the initial plunge in these uncharted areas.

J. A. Harbot,
57, Alghur Rise, Pocklington, York.

GENERAL

Second ballot for Labour Party leadership.

Saudi Arabian Ministers hold trade talks with British Government, London.

OECD shipbuilding working party discusses world oil tanker surplus and related over-capacity in shipbuilding, Paris.

Mr. John Methven, director-general of fair trading and director-general designate of CBI, speaks at Advertising Association lunch, Inn on the Park, W.1.

Sir Lindsay Ring, Lord Mayor of London, attends Masons' Company dinner, Mansion House, E.C.4.

PARLIAMENTARY BUSINESS

House of Commons: End of two-

To-day's Events

day debate on Green Paper on direct elections to European Assembly.

House of Lords: Second reading of Letters and Answers to Questions.

Bill, Freshwater and Salmon Fisheries (Scotland) Bill and Housing (Amendment) (Scotland) Bill. Short debate on NATO.

OFFICIAL STATISTICS

House starts completion and grants (February—provisional).

COMPANY RESULTS

Associated Book Publishers (full year), EBA Group (full year), Citygate Holdings (full year), Exploration Holdings (full year), Pye Holdings (full year), Savoy music by Beethoven, Queen Elizabeth Hotel (full year), Smith and Beth Hall, S.E.1, 7.45 p.m.

COMPANY MEETINGS

Brooklands, 11.30 a.m. HT Investments, 8, Leadenhall Street, E.C.3, 12.30 p.m. Kellcock, Great Eastern Hotel, E.C.3, 12.30 p.m. Macpherson (Donald), Winchester House, E.C.3, 12.30 p.m. Pentland Investment Trust, Edinburgh, 10.30 a.m. Prestige, 14, Holborn, E.C.4, 12.30 p.m. Securicor, Eccleston Hotel, S.W. 12.30 p.m. Security Services, Eccleston Hotel, S.W. 12.

OPERA

English National Opera production of Don Carlos by Verdi, Coliseum Theatre, W.C.2, 7 p.m.

MUSIC

Gabriel String Quartet plays Pye Holdings (full year), Savoy music by Beethoven, Queen Elizabeth Hotel (full year), Smith and Beth Hall, S.E.1, 7.45 p.m.

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Act than this talk by Sir Desmond Heap, a leading authority on planning matters.
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The Capital Transfer Tax

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The Consumer Credit Act

This extensive and difficult Act is explained on these two cassettes with great simplicity by Professor A. I. Diamond.
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Booker McConnell better than expected

PRE-TAX profits of the Booker McConnell group increased by 16 per cent. in 1975, with the net attributable balance emerging at £8.1m, compared with £6.8m.

Stated basic earnings per 50p Ordinary advanced from 20.64p to 22p — the diluted figure rose from 20.08p to 21.34p. A final dividend of 3.36p lifts the year's net total from 5.4p to 5.76p, equivalent to a maximum permitted 5.862p gross against 5.06p.

First half profits were up from £5.8m to £6.8m, and the attributable figure from £1.95m to £2.5m. In February of this year the directors said that, notwithstanding an adverse swing in the results of the Guyana companies, they considered overall group results for 1975 would be comparable with those of 1974.

Sir George Bishop, chairman, attributes the 16 per cent. profit increase, achieved in a most difficult year, to the spread of operations, both geographical and functional.

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although the rate of loss here is expected to diminish. The turnover potential in the group is clearly very large, but last night's news and a passed interim dividend sent the shares 3p lower to 34p last night, where they lack any obvious support.

Rotaflex down but confident

A REDUCTION from £791,400 to £637,700 in pre-tax profit is reported by Rotaflex (Great Britain) for 1975, following a first half downturn from £429,500 to £284,500.

Chairman, Mr. M. J. E. Frye, says that this relatively small reduction in the face of reduced demand in all major markets, reflects the success of the drive to improve efficiency and to develop further export markets.

The marked improvement anticipated in the interim statement was realised with profits for the second half of £353,200 compared with £284,500 for the first half.

For the current year indications point to an upturn in demand, particularly in Europe, and providing this trend continues, Mr. Frye says he has every expectation that the year will bring a "significant improvement" in results over 1975.

Earnings last year showed a fall from 2.35p to 1.5p. The dividend is raised by the maximum permitted—from 0.7281p to 0.7881p net, with a final of 0.3622p.

No interim by Burgess Products

AN INCREASED loss of £134,163, against £27,145, was incurred by Burgess Products Company (Holdings) in the half year to January 31, 1976, after a tax credit of £11,260, against nil.

There is no interim dividend, against 0.86p net per 25p share. The total for the year to July 31, 1975, was 3.3075p from a net attributable profit of £159,264.

The dominant factor is continuing losses associated with fixed price contracts, the directors state.

The group continues to be adversely affected by inflation and the recession, but signs of improvement are beginning to be apparent in some companies, they add.

The company is engaged in acoustical and electrical engineering.

comment

Burgess Products certainly created a rod for its own back when it moved Burgess Industrial Silencers to the North-East in 1973/74. Problems with fixed price contracts, some of which dated from before the move, have pushed the group into increased interim losses (after interest charges of £200,000 or so, following a pre-tax profit of £156,000 in the previous six months. A backlog of orders at Micro-Switch which may explain a 31 per cent. increase in turnover, has been replaced by the threat of Post Office cut-backs and fixed-price contracts still remain to be completed at BIS in the second half.

with the Government of Guyana for the acquisition of the Booker group businesses there began yesterday. The Board will make a full statement as soon as it can.

The chairman adds that the results show that Booker has the ability to adapt to new challenges and the success of the plan to secure a solid profit base in the U.K. has been convincingly demonstrated.

"But we remain an outward-looking company," he says, and will continue to develop trading links overseas as opportunity offers.

Sir George says the outstanding success of the engineering companies—equity earnings up from £182,000 to £1,800m—is "particularly encouraging."

was earned despite the serious loss in Booker's Sugar Estates resulting from maintenance of the sugar export levy at an unchanged level, and from strikes in Guyana, which led to an adverse swing of £1.66m. The profits of the traditionally dominant Agricultural Division.

Sir George says the outstanding success of the engineering companies—equity earnings up from £182,000 to £1,800m—is "particularly encouraging."

Improved efficiency at BCA

THE IMPROVED 1975 figures at BCA, producers and suppliers of aggregates, are due to continuing advancement in operating efficiency and reductions in overhead costs, reports Mr. T. R. Chesterfield, chairman, in his annual statement.

As known, taxable profit was £50.7m, compared with £44.4m in 1974—on a CPP basis, profit would be £40.5m (£45.5m). Dividends are up from 1.38p to 2.0275p net.

Mr. Chesterfield says that, in spite of adverse trading conditions, it was decided to undertake a major expansion of the Huntingdon plant, expected to be commissioned in early summer. The extension "should lead to lower production costs" and has

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Barratt Developments int.	1.83	May 28	1.27	—	6.0
Booker McConnell	3.36	July 1	5.76	—	3.4
Burgess Products	0.7881	—	0.98	—	3.31
E.C. Cases	0.88	—	0.43	1.27	1.19
James Fisher	1.15	June 3	1.48	—	2.33
Gibbs & Dandy	1.48	—	2.75	2.0	2.75
New Bridge Holdings	3.04(a)	—	0.88	—	2.75
Pochin's	0.37	—	0.31	0.79	0.78
Rotaflex	0.7881	—	0.76	0.81	0.76
W. Tyack Sons & Turner	1.23	April 24	1.13	2.48	—

Dividends shown pence per share net except where otherwise stated. (a) Equivalent after allowing for scrip issue. (b) On capital increased by rights and/or acquisition issues. (c) Gross throughout.

Utd. Glass in good position

MR. VIC HENDER, managing director of United Glass, said yesterday that the glass container division, by far the largest earnings contributor in the group, could not expect to see any upturn in demand until the end of the year. The company stands in a particularly good position to take advantage of future market opportunities because of the major investment programme undertaken over the last three years.

As known, UG made pre-tax profits of £5.8m (£5.5m) in 1975 on sales up from £72.2m to £87.2m. Sales and profits of the glass container division were £5.8m and £4.7m respectively.

The report shows medium and long-term borrowings up from £5.5m to £11.8m, and says increased borrowing was necessary to finance the capital expenditure programme and continuing inflationary growth of working capital.

Mr. Hender indicated that capital expenditure should fall by half the current year as the programme had been completed. Year-end commitments £2.4m (£2.8m).

The closures and plastics division last year showed a sharp decline in demand and profits fell sharply. The Ravenhead table glassware division increased sales and profits, while Johnson Radley, the engineering division, showed profits below the 1974 level.

Downturn at James Fisher

TURNOVER of shipowners, ship and insurance brokers, James Fisher and Sons, increased from £3.14m to £3.42m, but pre-tax profit decreased from £790,993 to £647,579 in 1975, after £622,083, against £385,933 at half-year.

Stated earnings per 25p share for the year were down from 18.37p to 15.84p on a net basis, and from 20.46p to 18.95p on a nil basis. A final dividend of 1.303p lifts the net total from 2.327p to 2.483p.

Tax charges £49,002 (£79,408) leaving a net profit of £597,677 (£701,590).

Gibbs and Dandy pays more

GROUP PROFIT, before tax, of Gibbs and Dandy, improved from £243,823 to £259,580 in 1975, after a first half downturn from £127,833 to £99,328. Turnover for the year advanced from £5.78m to £6.71m, sales £134,160 (£138,099), and earnings per 10p Ordinary were 3.04p against 2.52p. The dividend is raised from 1.888p to 1.481p net.

The business is that of builders' merchants and ironmongers.

Silentbloc proposals defeated

The result of two poll votes taken at the annual general meeting of Silentbloc, a subsidiary of Anglo-Portuguese Bank, has both gone against the Board. This was expected since BTR let it be known that it would use its 27 per cent. holding to vote against.

On a resolution to adopt new Articles, there were 1,791,762 votes in favour and 2,619,033 against. The extraordinary meeting was called specifically to approve the new Articles which would have given the directors stronger powers.

On the re-election of chairman, Mr. C. F. Whitehorn, the voting showed 1,883,452 in favour and 2,600,362 opposed. In both cases BTR cast its 2,593,000 shares in opposition.

A statement issued by Silentbloc said the company would continue to be covered by its existing Articles. It also said the company had been advised by legal counsel that under the existing Articles a director retiring by rotation is deemed to be re-elected irrespective of the result of the vote "unless a new director was elected in his place or a resolution was passed not to fill up the vacant office. Therefore Mr. Whitehorn remains a director, "unless he decides to resign."

BTR said last night it lodged its vote in opposition to the re-election of Mr. Whitehorn "as a protest against the new Articles" and that it wanted to be elected to the Board that its objections were serious, real and justified. The spokesman went on to stress that this was not a personal attack on Mr. Whitehorn but that BTR would have used its vote against whichever director had been coming up for re-election.

He added, "It was not the intention of BTR to get Mr. Whitehorn out, otherwise we would have presented an alternative director for election."

Westinghouse confident of improvement

MR. L. E. THOMPSON, chairman of Westinghouse Brake and Signal, told yesterday's annual meeting that, in spite of the uncertainties, he was confident the current year would show an improvement over last year's performance.

Mr. Thompson said the group had started the current year "reasonably well" but while there was a high outstanding order book, there was a continuation of the depressed markets in the electrical area.

As regards the future two major uncertainties lay ahead, he added. Firstly the timing of orders expected to be received for the group company in Australia, where delays were being experienced arising from the recent change in Government; and secondly, at home the level and phasing of British Rail's capital investment programme currently under consideration by the Government.

ISSUE NEWS

W. SOMERSET RLY.

The prospectus is available in connection with the share offer in West Somerset Railway Company of up to 650,000 Ordinary 10p shares at 10p per share. The directors believe there is a good possibility of the railway operating at a profit.

There are despite the tentative conditions of forecasting, some profit estimates embodied in the prospectus. The surplus before taxation at £11,000 for the year ending July 1976, £3,000 to July 1977 and £21,000 to July 1978.

It is not expected that any dividends will be paid in respect of the three years ending July 31, 1978, and the directors cannot give any reliable forecasts as to when dividends may be paid.

TREASURY STOCK

The prospectus is published today relating to 85 per cent. Treasury Stock dated 1981, raising £500m, at £5.50 per cent. Interest will be payable half-yearly on April 1 and October 1 and the stock will be repaid at par on April 1, 1981.

Prospectus Page 14

RIGHTS RESULTS

Crown House's rights to raise £1m on the basis of one-for-five at 21p has been taken up as to just over 4.45m. Shares and the balance of 468,000 shares has been sold in the market. Net premium will be distributed to entitled holders except that no payment will be made for less than £1.

James H. Dennis and Company's rights to raise £40,000 on the basis of one-for-four at 30p has been taken up as to 89.38 per cent. The balance was sold at a premium and will be distributed to entitled shareholders.

External Investment Trust's rights to raise £14.2m in 7 per cent. convertible unsecured loan stock was taken up as to £1.28m. Excess applications were received for £264,336—applications for up to £10,000 will be allotted in full (£20,733) while the remainder (£243,603) will be managed or advised by subsidiaries of the M and G Group—received the balance or about 58.5 per cent. of the amount applied for.

BIDS AND DEALS

£0.6m. Thorn bid for Stanwood

Thorn Electrical Industries is making a £600,000 take-over offer for the electrical retailing and TV rental group Stanwood Radio. The offer of 15p per share is in cash and compares with a price of 91p last Friday night; the price ended 31p harder yesterday at 15p.

The shares have been as low as 3p this year, compared with a peak in 1975-76 of 33p. The nadir came earlier this month when the group announced that a trading loss of £9.9m. was expected for 1976, having incurred a pre-tax loss of £18,000 at the half year stage. It was announced then that management had been reinforced by the appointment of Mr. J. Spindlow, chairman of John M. Newton.

The crucial holding in Stanwood is in the hands of Electronic Rentals which has a stake of around 23 per cent. Electronic, which has written down its holding in its own accounts, is said to be reserving its position and is considering the Thorn offer.

The company would not be drawn on whether it would consider making a take-over bid on its own account; its interests would be more likely to centre on the TV rental side of the business, and not the retail interests.

33p per s bid for William I

Birmingham, an overseas subsidiary of private security firm William I. Ferguson Securities, an offer of 33p per share for the textile group William I. The offer follows a bid of £200,000 for the total Birmingham holding to 11.54p, triggering the obligation rules of the City Code. The offer is said to be a takeover bid, and the offer of 33p last night on the London Stock Exchange, formerly a subsidiary, and General Securities absorbed into Ferguson last September. A £200,000 bid for the group, which would be the object of the offer, and that any holdings in excess would be paid in cash, would be a takeover bid, and the offer would be subject to the City Code.

He added that he is the Board of Reputed N. M. Rothel in relation to the offer of the intended bid. Standings: Reed shares holders to take no stage.

Intl. Bank-Wolfson deal

Sir Isaac Wolfson's family interests have acquired 100 per cent. control of Security Trust, a small Birmingham-based financial company, on undisclosed terms.

Security Trust was set up in 1965 as a 50/50 partnership between the Wolfson interests and International Bank, a bank with offices in Washington DC. It was announced yesterday that the Wolfson interests had acquired the International stake in the company, though no further details were available.

Security Trust, with offices in Birmingham and Walsall, concentrates on personal banking business and at the end of last year had a total balance sheet of £7.5m, and produced pre-tax profits of £145,000. It is expected to carry on with the same kind of business.

A year ago Sir Isaac's family trust sold their main banking business, Anglo-Portuguese Bank, to Norwich Union for some £12m. Security Trust, formerly held through Anglo-Portuguese, then reverted to direct ownership by the family. Directors of Security Trust include Mr. Peter Duncanson, a general manager of Anglo-Portuguese, together with Sir Thomson and Mr. Anthony Holman.

ASSOCIATES DEALS

Canover has bought 35,000 Euro Wine at 182p on behalf of W. Greenwell on behalf of Mr. G. J. Suckling, a director of East European Investments, bought 100,000 East Sussex at 304p.

S. G. Warburg sold for an association 1,917 Manbury and Garton at 125p and bought £2,700 7/4 per Convertible Unsecured Loan stock 1983-88 at 86p.


L. Messel sold for associates of Trafalgar House, 3,970 Trafalgar at an average of 98p.

ROSGILL SUPASAVE

Rosgill Holdings has agreed in principle to sell the capital of its wholly owned subsidiary, Moneywise to Supasave Group. Moneywise sells food and non-food by self-service discount stores.

Terms are that Supasave will purchase the capital of Moneywise for the nominal sum of £1, and that Rosgill should guarantee the net shareholders' funds of Moneywise as at April 3, 1976, at £118,000.

As known, Moneywise incurred a loss, before tax, of £284,000 in the 23 weeks to December 13, 1975 (profit 1974 £143,000). The disposal will strengthen the group by eliminating the continuing 1,268p a share—in losses; and drain on cash resources, permitted.



SCOTTISH PROVIDENT

Outstanding Results—Strong competitive position

Points from the Statement by the Chairman, Mr. M. D. Pentland, C.A.

Economic situation

The economic situation in the United Kingdom and elsewhere at the end of 1975 was in many respects more encouraging than one year before, but formidable problems remain. It is a time for steady nerves—a time for the Chancellor to pursue policies which may not be immediately popular, but which offer some hope of alleviating our problems and do not pretend to offer solutions at the expense of more intractable unemployment in the future and of still more erosion of the savings of men and women whose reasonable aim is to make provision for themselves and their families and in so doing to assist their country to be prosperous.

Position of life offices

The life assurance offices are ready, as they always have been, to make funds available to industry for soundly-conceived projects, but we remain conscious that we are in effect the trustees of our policyholders' savings. Our first duty therefore is to ensure that our funds are invested so as to secure the maximum benefit for our policyholders consistent with security, and we are encouraged to note that this obligation is well recognised by the present U.K. Government, as by all its predecessors.

Occupational pensions

Although the control of inflation is essential to the future wellbeing of our society, we were disappointed when the U.K. Government decided that occupational pension schemes must be brought within the ambit of their counter-inflation measures. Occupational schemes are a major source of long-term savings and the stimulation of such savings is a powerful weapon in the battle against inflation. I would urge the Government at least to modify the restrictions on occupational pension schemes as part of the next stage of their measures to control inflation.

Increase in bonuses

Last year the depressed level of security values caused the board to make a moderate reduction in the rates of special "claims" bonus payable when certain older life assurance policies become claims by death or maturity. I am glad to say that the improvement in financial conditions generally has enabled us to restore the scale of these special bonuses to the

previous level in respect of such policies becoming claims on or after 1st January 1976. Also, maturity bonuses on currently vesting pensions for the self-employed have been appreciably improved.

New business again a record

We have become accustomed to announcing record new business figures and 1975 lived up to the best traditions of its predecessors. New annual premiums at £8.8 million represented an increase of 45% over the 1974 figure. New sums assured increased by 37% to over £352 million, and new annuities by 74% to £26.7 million per annum. There was again a reduction in new single premiums—a common experience these days.

Major growth contributors

Two factors which made a major contribution to these results are firstly, growth in pensions business of all kinds and secondly, a continued strong demand for family income policies, providing a high amount of initial life assurance cover for a relatively low premium—a very necessary contract indeed for those with family responsibilities. Our with-profit pensions for the self-employed continue to find increasing support in the market and we are confident that the increased rates of bonus will still further enhance our strong competitive position.

Progress

New sums assured

1975	£352.9m
1974	£256.8m
1973	£224.7m
1972	£198.9m

The Edinburgh and Dundee Investment Company Limited

Summary of Results

	Year to 31st Jan. 1976	Year to 31st Jan. 1975
Total Net Assets at Market Value	£80,143,216	£53,344,1
Ordinary Stock Units:		
Asset Value	169.0p	107.3p
Earnings	2.89p	3.13p
Dividend	2.89p	2.70p
Geographical Distribution of Investments		
Equities: United Kingdom	28.2	34.3
United States	39.5	42.6
Japan	6.0	3.5
Edrope	1.9	3.5
Australia	4.3	3.6
Other Countries	4.4	3.4
Total Equities	84.3	90.9
Fixed Interest Stocks	12.6	3.7
Deposits	3.1	5.4

Summary of Statement by the Chairman, Mr. G. T. Chiene.

- Earnings are slightly down on last year but we expect to earn rather more in the current year. An increase in the dividend from 2.70p to 2.89p is recommended.
- The rise of 67% in the asset value per share is less than the rise of 69% in the U.K. market due to smaller rises in foreign stockmarkets where we have substantial investments. Over the last two years, however, we have done rather better than the U.K. index.
- During the year we became increasingly concerned that U.K. equities were becoming overvalued particularly in relation to Government Stocks. At the year end 11.3% of funds was invested in Government Stocks compared with 1.9% last year.
- The outlook for the U.K. economy improving but serious difficulties re the future progress of the economy depend largely on a reasonable agreement on wages and salaries and on the resolute with which the Government pressures for premature reflation.
- In the United States, and in some countries, greater progress has been in dealing with the twin evils of inflation and recession. At the year end 40% of our assets were invested in U.S. equities, 23% in U.K. equities and 17% in overseas equities. The balance of was held in U.K. fixed interest stocks.

Copies of the Annual Report may be obtained from: Baillie, Gifford & Co., 3 Glenfinlas Street, Edinburgh EH3 6TF.

Growth for Gallaher's non-tobacco interests

ALTHOUGH FOR many years to come the Gallaher group will be dependent on profits from its tobacco operations, the non-tobacco businesses are expected to show real growth and they will be encouraged to continue their expansion and to search for new fields for their products and services.

Chairman Mr. A. W. H. Stewart-Moore explains in his annual statement that the increased turnover result in 1975 was made possible by contributions by businesses acquired and built up over the last few years.

In order to achieve anything like satisfactory results in 1976, real economies will have to be made, as well as increases in turnover, especially in the domestic tobacco market.

The chairman reports that the U.K. is by far the group's most important tobacco market, and Gallaher will do well to hold its share here in the face of increasing competition from overseas and from the EEC.

However, he points out that the group has already shown its ability to compete, both in Eire and in the Netherlands, where there are now successful manufacturing companies and also in the direct export market where good progress is being made.

In 1975 increases in those areas went some way to make up for the loss of sales on a home market restricted by heavy duty increases and health warnings. Certainly in the future "we will be looking at the sales of our tobacco products and not only at sales in the U.K.", stresses the chairman.

As reported, group pre-tax profit increased from £13.47m. to £26.44m. in 1975 and the balance attributable to shareholders emerged at £21.09m. (£17.48m.).

With tobacco duty increases restricting the division's growth to about the same level as 1974, the chairman considers the tobacco business a "reasonably satisfactory".

This improvement, however, bears "little comparison" with a national inflation rate of well over 20 per cent. It means the group is not generating nearly enough resources to meet demands for working capital requirements when trade improves. "Until this happens growth of our businesses and the creation of new jobs will have severe restrictions," warns the chairman.

Purchase of loan stocks for cancellation last year gave rise to a surplus of £4.34m.

The company is controlled by American Brands of the U.S.

Chairman's statement Page 24

W. Tyzack Sons & Turner

WHILE TRADING turnover for the six months to January 31, 1976, of W. Tyzack Sons and Turner is restricted by heavy duty increases and health warnings. Certainly in the future "we will be looking at the sales of our tobacco products and not only at sales in the U.K.", stresses the chairman.

As reported, group pre-tax profit increased from £13.47m. to £26.44m. in 1975 and the balance attributable to shareholders emerged at £21.09m. (£17.48m.).

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Barratt Developm't upturn

FIRST-HALF (to December 31, 1975) turnover of Barratt Developments increased from £16.8m. to £23.28m. and pre-tax profit advanced from £2.83m. to £4.26m. in 1975.

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UNION CORPORATION LTD.

The Chairman, Mr. E. Pavitt, reports to shareholders

Against a background of high inflation and lower metal prices, the consolidated profit after taxation of R34,864,000 represents a reasonably satisfactory result when compared with the 1974 record figure. In particular dividend income was only 3 per cent lower and in view of this the Board declared unchanged dividends of 42 cents per share.

GOLD The rapid rate of increase in the gold price between 1972 and 1974 could not be maintained and in 1975 a series of events contributed to a fall. The uncertainty surrounding the sale of IMF gold and the consequent depressing effect on the price is likely to continue until the first few auctions have been held and it has been possible to gauge the full effect of the sales. In the last few years considerable improvements have been made in wages and salaries of skilled and unskilled workers on the mines. These are reflected in substantially increased operating costs but have not resulted in any material increase in productivity. We hope that in time a higher proportion of local recruits will provide a permanent and more efficient work force and a nucleus of trained black workers.

However, this calls for a higher level of education and technical training than exists at present.

PLATINUM The reduced level of industrial demand for platinum group metals during 1975 resulted in lower sales by Impala Platinum and also lower prices. Impala has now completed its major capital expenditure programme and, in spite of continuing difficult market conditions, we can reasonably expect it to be able to improve dividend distributions in 1976 while at the same time reducing its borrowings at a satisfactory rate.

NEW BUSINESS A decision in principle was made to proceed with the Richards Bay heavy minerals project, a beach sand mining and conversion operation (in which the Corporation has a 30 per cent interest) at an estimated cost, allowing for inflation, of R250,000,000. Loans amounting to some R150,000,000 are presently being negotiated. In addition to being responsible (in conjunction with its partners) for the satisfactory development of the project, the Corporation's commitment to this venture will be some R30,000,000 spread over three years: it is our present intention to finance this business from our own resources augmented if necessary by loans.

A strong financial position was maintained throughout the year and liquid funds at the end were R42,246 representing 19 per cent of assets.

Catholic Bldg. Society growth The Catholic Building Society had a record year in 1975 with total assets increasing by over 22 per cent to £22,207,155. Savings received from members and depositors were the highest ever, at £248,825, and net savings, after withdrawals, were £407,430, or 36 per cent higher.

Loans for house purchase and improvements totalled £485,117, an increase of 25 per cent over 1974. A strong financial position was maintained throughout the year and liquid funds at the end were R42,246 representing 19 per cent of assets.

Pochin's ahead Profit, before tax, of Pochin's increased slightly from £182,153 to £186,112 in the half year to November 30, 1975—for the full year to May 31, 1975 it was £282,063. Pursuant to the dividend being held at 8.75p net per 25p share—last year's final was 2.875p. In his annual statement in December the chairman Mr. C. W. T. Pochin said it would be his aim to achieve similar figures in the current year.

The company's business is that of builders and civil engineering contractors.

GREENWOOD & BATLEY GREENWOOD and BATLEY, the proposed date of maturity date, and further right to convert the 15 per cent, one year convertible secured loan notes 1975 dated February 28, 1975. Greenwood and Batley announces that £112,000 of loan notes have been repaid and the balance of £282,000 has been deferred until March 11, 1977.

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EXPLORATION AND NEW MINING VENTURES

The investigation and evaluation of mining prospects is a lengthy and expensive process particularly if the one body is at depth. Expenditure was almost twice as much last year as the previous year's highest appropriation and is likely to continue to be heavy during 1976. The bulk has been in South Africa, much of it in connection with areas we are still investigating for gold and uranium—being extensions to known areas or ones which have previously been partly explored but could not profitably be turned to account at the time.

INDUSTRY AND PROPERTY Dividends from our South African industrial investments (stemming largely from profits earned in 1974) were second only to those from gold. 1975 proved a difficult trading year but profits were maintained and income from this source should be no lower in 1976. A general drop in property values in the United Kingdom resulted in a fall in the net asset value of Capital & Counties Property Company and created a need to renegotiate certain borrowing arrangements. The Corporation, which owns 24 per cent of Capital & Counties, agreed to guarantee up to £5,000,000 of a payment due in October 1976.

OUTLOOK Our present assessment is that dividend income will be at a lower level in 1976, with gold mining payments probably lower, those from industrial investments largely unchanged and receipts from platinum showing a worthwhile improvement. However an early recovery in the price of gold to around \$160 per ounce would change this outlook materially for the better.

South Africa is a major supplier of raw materials and is feeling the full effects of the overseas recession. Indications are that the United States economy is recovering. With Europe and Japan expected to follow this injects a note of optimism into our thinking but it is impossible to predict when the effects of a recovery in world trade will benefit the South African economy and ourselves.

GENERAL In 1975 the Corporation returned to normal after the unsettling period of merger and takeover attempts which culminated in General Mining and Finance Corporation acquiring a 29.9 per cent interest in the Corporation. This association has provided the benefits of a mutual exchange of ideas and a broader approach to areas of common interest.

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We are pleased to announce that

Christopher Wysock-Wright

has joined our firm as an Executive Director

197 Knightsbridge
London SW7 1RB
England

Russell Reynolds Associates, Inc.

Executive Recruiting Consultants

245 Park Avenue, New York, New York 10017

NEW YORK

CHICAGO

LONDON

LOS ANGELES

R-R Motors' long term confidence

THE CURRENT YEAR for Rolls-Royce Motors Holdings opened on a somewhat subdued note, says the chairman, Mr. J. J. Fraser.

Car sales are continuing adequately throughout the world, there are grounds to believe that prospects for the car industry everywhere are now starting to improve. But the directors will not be convinced of this before a few more months have passed.

In the diesel engine business, domestic demand is slack. Further ahead, however, the prospects look brighter as some longer-range developments in both the car and the diesel engine fields start to ripen.

Capital expenditure, including the final instalment on the purchase of the Crawley factory (freehold, during 1975 amounted to £3m, which exceeded historic depreciation by £1.5m. Current amortisations amount to £3.3m. Mr. Fraser points out, however, that the balance-sheet figures do not tell the full story since a part of expansion in military diesel engines is financed by Governmental customers upon terms which leave with the com-

pany an acceptably small measure of risk.

In this sense, therefore, the Board is pushing ahead with an "anti-cyclical" investment programme in the confidence that by the time it is completed the market will be able to take the extra production.

This policy will mean consuming capital, "perhaps a great deal of capital, over the years and decades to come." The responsibility of the Board will be to see to it that the providers of further capital are properly remunerated.

As known, group pre-tax profit increased from £4.95m. to £5.73m. in 1975—a year regarded as one in which the policy of concentrating on developing export markets and on the two product categories, cars and diesel engines, which bear the Rolls-Royce name, has started to pay off. Direct export increased by more than 30 per cent.

A recalculation on a global basis of what results would have been had certain of the principles outlined in the report of the Sandilands committee on inflation accounting been adopted shows (1975 omitted): profit before tax and after interest per account based on historical cost £3,788; less cost of sales adjustment in relation to stock consumed during 1975 ("holding profit") £5,200; less additional depreciation on assessment of current value of fixed assets £730; add current purchasing power adjustment to net monetary assets less liabilities £3,200; net profit before tax as adjusted £3,038.

It is estimated that current value of the business of fixed assets being depreciated is approximately £2.5m. more than current book value.

The advent of inflation accounting will if inflation continues at anything like the present levels, cause all manufacturing companies to revise their dividend policies, says the chairman. Accordingly, it was thought prudent to recommend the same level of dividend as in the past two years—3.5 net—until the future can be seen more clearly.

During the year, whereas the figure for stocks and work-in-progress increased by £7.5m. to £35.1m., net bank overdrafts and loans were reduced by £4m. of which £2.1m. was accounted for by proceeds of the rights issue.

Meeting, The Churchill Hotel, Portman Square, W., April 22, noon.

H.A.T. SETTLEMENT
H.A.T. Group has issued to the vendors of Geoffrey Collins 50,000 10p Ordinary shares in satisfaction of the balance of the purchase consideration for the latter company. Collins was acquired in November, 1973.

MINING NEWS

Present dullness will pass, says Amgold

BY KENNETH MARSTON, MINING EDITOR

SUMMING-UP the pros and cons of the situation in gold Mr. J. Ogilvie Thompson, chairman of South Africa's Anglo American Gold Investment, says that "I have every confidence that the present depressed mood will pass and that the future of gold is well assured."

He comments that it is not in the interests of the International Monetary Fund, central banks and the Third World to depress the bullion price unduly. And the international economic and inflationary situation points to a growing freer use of the metal, he adds.

When allowance is made for the devaluation of the South African rand last September, the current gold price of around \$130 per ounce means that the mines are receiving much the same in rands for their product as they did last year when the price averaged \$161.20. But costs are continuing to rise and Mr. Ogilvie Thompson says that this may lead to a move to mining the better grade ores.

Meanwhile, there is scope for higher production now that the supply of labour has recovered to almost full capacity. He also mentions the increased importance of by-product uranium, adding that the Anglo American group's Orange Free State complex has already concluded sales of much of its planned uranium and acid production for some years ahead.

"We can look forward to very satisfactory dividend income for Amgold," he concludes. Even so, Amgold's revenue this year seems unlikely to match that of 1975 although the 260 cents (155p) dividend rate looks to be safe enough. The investment company's net assets at March 12 equalled R38.10 (£22.79) per share, the latter being 220.75p in London yesterday.

PANCONTINENTAL SHARE OPTIONS
Australia's Pancontinental which, along with Getty Oil of the U.S., has proved what is claimed to be the world's largest uranium source at Jabluks in the Northern Territory and which is now awaiting Federal Government approval to start production and tie-up contracts, says that at December 31 there were 1,195,113 options outstanding on the company's shares of which 506,813 were at 35 cents (15.24p) and expired on March 15.

The remaining exercise prices range from \$1.38 (34p) a share to \$6.67 (\$4.07) a share and expire between September 26, 1977, and September 16, 1978. The company also announced a net loss of \$42,600 (£28,000) for the half-year to December compared with a

West Rand Consolidated gold mine says that uranium production, which caused in the last quarter of 1974 is to recommence with a full production milling rate of 50,000 tonnes of ore a month being attained by the second quarter of the current year. West Rand Cons. were 100p yesterday.

Union Corp.
THE South African Union Corporation group intends to fund the \$300m (£180m.) finance for its share of the R550m. (£340m.) Richards Bay heavy minerals project in Natal from its own resources augmented, if necessary, by loans.

Mr. E. Pavitt, the group's chairman, adds that the financial commitment will be spread over three years, the time needed to complete the project. Its other partners are Canada's Quebec Iron and Titanium Corporation (an offshoot of Kennecott) and South Africa's Industrial Development Corporation.

He also comments on the improvement in the supply of black labour to the South African mining industry which now has some 88 per cent of its underground requirements. As suggested in these columns, Union Corporation expects to earn more from its share of the project than it will have to pay for its share of the project.

While gold dividends will be less (unless there is a sharp recovery in the bullion price) with the result that overall dividend income will not match that of 1975. The shares were 230p yesterday.

SET FAIR FOR GRIQUALAND
A further improvement in the surplus of net earnings available for dividends is forecast for 1976 by Mr. C. H. Walters, chairman of Griqualand Exploration and Finance, the General Mining group's South African asbestos producer.

He adds that contracts for the current year have been concluded at higher prices than those for 1975 and the benefits of the rand devaluation last September should have a favourable influence on income although the latter will also contribute to increased costs.

Last year, the company benefited from a world shortage of asbestos production caused by labour problems in Canada and two mining disasters. The chairman adds that there has also been an increase in demand for all types of asbestos in the past two years, that previously untapped markets were successfully penetrated and that the strong demand will continue this year at favourable prices. Griqualand were 550p yesterday.

W. RAND CONS. IN URANIUM AGAIN
The General Mining group's

WEISHAUP IN SCOTLAND
Sales and service of Weishaupt oil, gas and dual fuel burners are to be intensified in Scotland with the appointment of a Scottish agent, Blakes Service Engineers, Glasgow. Weishaupt (UK) is a subsidiary of Max Weishaupt GmbH, West Germany.

HAWKINS CHANGES YEAR END
Hawkins Developments has announced that the 12 months accounting period to end 1975 is to be extended to cover 18 months ending June 30, 1976. After a Board meeting on April 5 results for the 12 months to end 1975 will be announced as interim results.

WINDING-UP ORDERS
Orders for the compulsory winding-up of 61 companies were made by Mr. Justice Brightman in the High Court yesterday.

GALLAHER 1975

Statement by the chairman, Mr Hume Stewart-Moore



Mr. H.A.H. Stewart-Moore, Chairman Gallaher Ltd.

Before reviewing the progress and performance of the Gallaher Group in 1975, I would first like to pay tribute to my predecessor, Mark Norman, who retired on 23rd April, 1975, having been a Director since 1948 and Chairman since 1963. We owe him much for his wise leadership during a long period which saw many great changes.

Trading Results

The domestic tobacco division still accounts for the major part of our turnover and profits, but the increase in tobacco duty of 36% in April, 1975, which followed the 33% increase in April, 1974, restricted the profits of the division to approximately the same level as last year. In these circumstances the performance of the Group in achieving an increase of 9% in net income must be considered reasonably satisfactory. This was made possible by the contributions of the businesses acquired and built up over the last few years, all of which increased their profits in 1975. But in order to achieve anything like satisfactory results in 1976, real economies will have to be made, as well as increases in turnover, especially in the domestic tobacco business.

We have to recognise, moreover, that an increase of 9% in net profit bears little comparison with a national inflation rate of well over 20%. It means that we are not generating nearly enough resources to meet the demands for additional working capital that can be expected when trade at home and overseas improves, and until this happens the growth of our businesses and the creation of new jobs will be severely restricted.

SUMMARY OF RESULTS 1975	
Group Sales	£932,380,000
Profit before Tax	£36,442,000
Tax	£18,582,000
Ordinary Dividends	£3,718,000
Profit retained	£12,380,000
Net Assets	£250,585,000

Tobacco - domestic

Our cigarette sales were down by 9% but in a declining market the KENTILAS range improved its share and SILK CUT maintained its dominant position in the "Mild" sector. In the "King Size" sector BENSON & HEDGES SPECIAL FILTER continued to outsell all other brands combined.

The home-manufactured cigar market increased, with HAMLET maintaining strong progress. BENSON & HEDGES SPECIAL PANATELLAS and SMALL CIGARS and SENATOR also did well.

The pipe tobacco market declined overall but our own brands, particularly BENSON & HEDGES MELLOW VIRGINIA and CONDOR again increased their market share, as did OLD HOLBORN in the hand rolling sector.

Tobacco - overseas

In November, 1975, the Netherlands Government published its first tar and nicotine tables showing NIEMEYER'S ROXY DUAL FILTER, EVEREST and KELLY to be the leading low tar brands. Low tar sales accelerated and NIEMEYER'S brands have gained a significant share of the total market. NIEMEYER also did well in the pipe and hand rolling tobacco markets.

57% of RITMEESTER cigar production is exported from the Netherlands and RITMEESTER had an increased share of the United Kingdom cigar market in 1975. In the Netherlands there was progress in both volume and market share by the year end.

Export of our United Kingdom brands of cigarettes, cigars and tobacco showed an encouraging increase, particularly SILK CUT and OLD HOLBORN, and in the Irish Republic GALLAHER (DUBLIN) achieved major gains in all sectors of the market.

Engineering

Despite recession at home and overseas, the MONO PUMPS and SAUNDERS VALVE businesses had a very satisfactory year and showed further improvement in sales and profits. Export figures showed substantial increases and new overseas markets and enterprises are constantly being investigated and developed.

Optical

While 1974 had been a year of consolidation for the DOLLOND & AITCHISON GROUP, results in 1975 were very encouraging, with increases in both turnover and profit. Towards the end of the year, our overseas optical interests began to reflect the benefits of organisation and expansion, and all concerned, both at home and overseas, must be congratulated on their excellent performance.

Distribution

FORBUOYS, with its chain of confectionery, tobacco and newsagents shops, carried out a programme of branch rationalisation during the year and achieved excellent results despite rapidly escalating costs.

At the beginning of 1975, WARRINER & MASON acquired 21 additional "Cash and

Carry" and five "Delivered Trade" depots. Profit performance was less than anticipated, being hampered by the need to re-organise the new branches and by sluggish demand and keen price competition. However, the "Cash and Carry" depots of TOBACCO SALES in Northern Ireland continued to produce good results.

People

The Group's performance in 1975 in all Divisions reflects great credit on each and all of our 28,000 people at home and overseas. I take this opportunity, in my first year as Chairman, of expressing my appreciation of the great efforts that were made, and I look forward to continued success and all-round progress again in 1976, with increasing participation by all our people.

There have been other changes in the Board. On 31st January, 1976, Hilary Glyn, who joined the Board in 1962, relinquished his appointment as Joint Managing Director on retirement. He had served the Company for nearly 39 years and his considerable experience and knowledge, particularly of the tobacco industry, provide a challenge to those who follow him. Mark Mausell retired at the end of 1975 and we are grateful for all he has done, particularly in our distributive businesses.

We welcome to the Board, Graeme Buckingham and Christopher Morgan, who became Executive Directors on 23rd April, 1975. As senior managers they both made outstanding contributions to the Company.

Outlook

For many years to come the Group will be dependent on profits from its tobacco operations. The United Kingdom is by far our most important market and we will do well to hold our share here in the face of increasing competition from overseas and from the E.E.C. On the other hand, we have already shown our ability to compete, both in the Republic of Ireland and in the Netherlands, where we now have successful manufacturing companies, and also in the direct export market, where we are making good progress. In 1975, increases in these areas went some way to making up the loss of sales on a home market restricted by heavy duty increases as well as by warnings from the health authorities. Certainly in future we will be looking at our total sales of tobacco products and not only at sales in the United Kingdom.

Our non-tobacco businesses are all in the hands of able and dedicated management. They are operating in areas where we can expect to see real growth, and we shall encourage them to continue their expansion and to search for new fields for their products and services.

SUMMARY OF ACTIVITIES

	£000s			
	Sales		Profit	
	1975	1974	1975	1974
Tobacco-Domestic	654,260	538,287	28,514	28,262
-Overseas	88,839	65,583	2,964	1,322
Engineering	44,084	35,001	5,537	5,023
Optical and associated activities	24,059	16,254	4,277	2,807
Distribution	121,138	68,909	2,590	1,830
	932,380	724,044	43,882	39,344

The divisional figures for sales and profits in respect of Tobacco-Domestic and Distribution for 1974 have been reclassified. The 1974 figures include only nine months results in Tobacco-Overseas for Theodoros Niemeijer B.V., and in Distribution for Forbuoys Limited.



English Property Corporation Limited

A leading international property investment and development group active in the United Kingdom, Canada, the United States, Belgium and France.

Extracts from the annual statement of the Chairman, Sir Brian Mountain, Bt.

Investment property values independently reviewed

"After a valuation by your directors and a review by independent valuers, in the directors' opinion, the aggregate value of the group's interest in completed investment properties continues to be fairly stated in the balance sheet."

Development properties—no provision currently considered necessary

"A review of our development properties has shown that there might be a reduction in value of the group's interest on completion of some £12 million. In view of what must of necessity be an interim assessment, the directors do not consider that any provision is appropriate at this stage."

Current worldwide letting experience satisfactory

"Our lettings worldwide have held up most satisfactorily. The overall vacancies within the completed investment portfolio are minimal and while there are a few disappointing local situations within the development programme, the general picture is very healthy. Even in these sensitive areas there are distinct signs of growing confidence leading to improved letting activity."

Substantial reduction in short term borrowings

"Substantial progress has been made in improving the company's debt structure."

"If one eliminates currency fluctuations... short term debt fell from £85 million to £61 million. Of this £61 million, only £29 million is the liability of the parent group... and this figure has been further reduced since the year end to £22 million."

Capital and income growth objective

"It is our ultimate objective to provide an investment which is diversified as to currencies and types of property and which exposes the shareholder to a minimum of risk while providing good opportunities for growth of both capital and income."

Copies of the annual report for the year ended 31st October, 1975 may be obtained from the Secretary.

English Property Corporation Limited

16 Grosvenor Street London W1X 0DX Tel: 01-499 0444
Telex: ENGPOR LDN 24906 Cables: ENGPOR LONDON W1

Barratt

Developments Limited

INTERIM STATEMENT
Barratt Building Nationwide

The Barratt Group again reports increased profits allied to continued expansion of its activities. All sectors of the Group made good progress during the six months ended 31st December, 1975 but the most significant feature was a substantial increase in the number of houses completed and sold over the corresponding period last year.

The following are the unaudited results of the Group incorporating H. C. Jones Limited, control of which was recently acquired.

	Half year ended 31st Dec. 1975	Half year ended 31st Dec. 1974
Turnover	£20,200	£16,000
Net Profit:		
On trading, including rental income	4,234	2,145
On land sales	24	470
Taxation	4,258	2,616
	2,227	1,373
Pre-acquisition profit of H. C. Jones Ltd.	3,031	1,243
Profit attributable to the Group	1,969	1,243
Interim dividend	492	179
	£1,477	£1,064

The net profit before tax of H. C. Jones Limited for the six months to 31st December 1975 was £1,235,000 on a turnover of £7,785,000. These results are considered very satisfactory and have been achieved by a combination of increased market penetration in existing areas of operation and expansion into new geographical areas.

In compliance with The Stock Exchange requirements consequent upon the successful bid for H. C. Jones Limited the directors state they are of the opinion that, having regard to the overdraw and other facilities available, Barratt and its subsidiaries have sufficient working capital for their present requirements.

The forward sales position for the Group's new houses is extremely strong, the contracting order book is at record levels and the commercial development programme is continuing to make satisfactory progress. The rapidly increasing geographical spread has been enhanced by the acquisition of H. C. Jones Limited and with the land bank substantially increased since July 1975 the Group is well placed to maintain growth. An interim dividend of 1.52p net per share has been declared which is payable on 28th May 1976 to shareholders on the register at close of business on 27 April 1976 (the same as the interim dividend of 1.27145p net per share last year with an addition of 10 per cent. on the total dividend paid in respect of last year).

L. A. BARRATT
Chairman.

Huddersfield & Bradford Building Society 1975

A year of record progress.

Report on ANNUAL GENERAL MEETING

Against a background of economic, financial and political uncertainty the Society's assets grew by £4.5m to a total of £372m, representing an increase of 14.1%.

The total reserves advanced to £12.3m representing a ratio of 3.3% of total assets. Liquid funds available to meet claims amounted to 22.5% of total assets. At the year end balance sheet due to shareholders and depositors totalled over £35m. During 1975 the Society achieved a

record dividend of £10m to borrowing members.

These and other encouraging figures were given by the Society's President, Mr. C. C. Sutcliffe, J.P., at the Annual General Meeting held in Bradford on March 26th 1976. Mr. Sutcliffe also expressed the appreciation of the Board to the members and staff for their efforts during the year and to Agents, Valuers, Solicitors, Bankers and Professional advisers throughout the country for their continued support.

Copies of the Annual Accounts are available from any Branch of the Society or from the Head Office.

Huddersfield & Bradford Building Society

Head Office: Permanent House, Westgate, Bradford BD1 2AU. Tel: Bradford 348224 (STD 0274). Member of the Building Societies Association. Authorised for investment by Trustees. Assets now exceed £370,000,000.

Bath & Portland Group

COMMENDABLE RESULTS IN DIFFICULT CONDITIONS

Highlights from the circulated review of Sir Kenneth Selby (Chairman)

Highest Profit in Group history.

Exports rose to £2.1m from £1.6m and British plant exported totalled £3.04m.

Bank borrowing contained at £5.0m.

Useful contribution expected in next financial year from the £47m contract in Iran.

Group remains well placed to meet any upsurge in the economy.

DIVISIONAL SUMMARY (£000's)

	1975	1974
to October		
Sales	9,724	499
Profit	25,707	1,045
Engineering	12,020	1,016
Cultural	6,717	614
neering	54,168	3,174
Interest Payable	2,090	2,019
Profit before taxation	6,770	8,499
Profit after taxation		
Profit per Ordinary Share		

Copies of the Report may be obtained from The Secretary, Bath and Portland Group Limited, 20 Manners Street, Bath, BA1 1EX

Healthy letting position at English Property

SIR BRIAN MOUNTAIN, chairman of English Property Corporation, feels it is gratifying that during this current recession, the group's lettings worldwide have held up "most satisfactorily".

Overall vacancies within the completed investment portfolio are minimal and there are a few disappointing local situations within the development programme, the general picture is "very healthy".

Even in the sensitive areas there are signs of growing confidence leading to improved letting activity, says the chairman.

While the group has continued to expand its development activities in North America, no new projects have been undertaken in the U.K. or Europe. Expenditure during the year ended October 31, 1975 amounted to £20m in North America, £18m in Europe and £15m in the U.K. and Europe.

Group commitments at October 31 amounted to £128.4m, compared with £91.9m a year earlier. These comprised—under contract in the U.K. and Europe £10.3m (£19.7m), and overseas £58.3m (£49.0m), and uncontracted pending arrangements of satisfactory finance £11.8m (£10.6m), U.K. and Europe £17.8m (£22.45m), overseas £1.7m (£2.45m).

Long term finance had been arranged at the year end of £33.48m (£28.48m) in respect of the group's commitments.

As reported, net revenue attributable amounted to £20.4m (£11.2m) in the year 1974-75. Turnover amounted to £101.7m (£84.0m). An analysis of turnover and group trading result shows (in per cent.)—U.K. and Europe 23 (31) and 42 (40); Europe 2 (3) and 2 (same); and North America 76 (74) and 55 (58).

During the year short-term debt fell from £55m to £61m of which £20m is the liability of the parent and since the year end this figure has been reduced further to £22m. In view of facilities normally available the chairman says it is unlikely it will be necessary, or desirable, to materially reduce this figure in the coming year.

In his annual statement, Mr. J. A. Soden, chairman of the subsidiary Trix Corporation of Canada, reports that the company's financial results will improve as revenues from the existing portfolio increase and as profitability is achieved from new properties in which investment has been made both by development and acquisition.

Meeting, Dorchester Hotel, W., April 29 at 10.20 a.m.
Chairman's statement Page 24
See Lex

Barrow Hepburn outlook

WHILE THE trading outlook is uncertain for the U.K. tanneries, all other activities of Barrow Hepburn Group are budgeting for an improvement in profits, says the chairman, Mr. R. Smith.

As known group pre-tax profit increased from £2.02m to £2.31m in the year to January 3, 1976 and the dividend is 2.88p net (£2.64375p).

The increase in profits was achieved despite high inflation and pressure on profit margins, particularly in the U.K.

Although the rate of inflation is reducing throughout the Free World, the medium term outlook, particularly in the U.K. is still in doubt, says the chairman.

Investment in factory space and plant last year amounted to £2,458,000. Year end commitments were £302,000 (£389,000) contracted and £488,000 (£143,000) not contracted. A further provision of £433,000 has been made against the book value of the value of investments overseas and at home which included a minority interest in W. Wood and Son.

Directors' emoluments include £3,800 compensation for loss of office. Meeting, Dorchester Hotel, W., April 21 at 11 a.m.

Scottish Provident growth

Talking in detail about the record new business figures—new sums assured up 37 per cent. to over £352m, and new annual premiums up 45 per cent. to £5.8m, on the 1974 figures—the Scottish Provident Institution chairman, Mr. M. D. Penland says "two factors which made a major contribution are firstly, growth in pensions business of all kinds and secondly, a continued strong demand for family income policies".

The chairman stresses that "the life assurance offices are ready, as they always have been, to make funds available to industry for soundly conceived projects, which we remain conscious that we are in effect the trustees of our policyholders' savings."

"I do not accept the suggestion that the savings institutions have in any way failed to make capital available to potentially thriving and profitable industrial enterprises. Funds have been

NOTICE OF DEFAULT

To the Holders of
£150 Subordinated Debentures
Due 1975 and 1976 of

Builders Investment Group

NOTICE IS HEREBY GIVEN, pursuant to the provisions of Section 122 of the Companies Act 1947, as amended, by First and Second Subordinated Indentures, between BUILDERS INVESTMENT GROUP (the "Trust") and United States Trust Company of New York, Successor Trustee, that an Event of Default has occurred pursuant to the terms of said Indentures. Said Event of Default was the non-payment of the interest due on December 30, 1975 to the holders of the Trust's 7½% Subordinated Debentures due 1975 and 1976 and said payment not having been made within the 15 day grace period and due to the non-payment of principal due on December 30, 1975 to the holders of the Trust's 7½% Subordinated Debentures due 1975.

UNITED STATES
TRUST COMPANY OF NEW YORK
Successor Indenture Trustee
Dated: March 29, 1976.

Edinburgh and Dundee to earn 'rather more'

MR. G. T. CHIENE, chairman of The Edinburgh and Dundee Investment Company expects that current year earnings per 25p share will be "rather more" than the 2.85p for the year to January 31, 1976.

H. Young loss

H. Young Holdings incurred a pre-tax loss for the year to November 30, 1975 of £22,571, after exceptional items of £27,848.

The deficit is increased to £163,143 after writing £55,020 off goodwill and after other extraordinary items of £25,344.

For the previous year a pre-tax loss of £44,324 was reported. The same increasingly concerned that company manufactures, cleaning appliances and is engaged in the engineering and motor distribution.

particularly in relation to British Government Stocks.

Therefore a proportion of the funds was transferred from U.K. equities to British Government Stocks—the percentage invested in British Government Stocks was 11.3 per cent. at the year end, compared with 1.9 per cent. a year earlier.

At the year-end 40 per cent. of assets were invested in U.S. (virtually all in equities) compared with 28 per cent. in U.K. equities (mainly in companies with large overseas interests) and 17 per cent. in other overseas equities.

The balance of 15 per cent. was held in U.K. fixed interest stocks. Mr. Chiene is retiring from the chairmanship after the AGM, because he thinks it would be a

good thing for a younger man to take over. Mr. H. McMichael has been appointed to succeed him as chairman. Mr. Chiene will remain on the Board for one more year, after which he will retire.

It is intended to introduce younger men in due course. With this in view, Mr. W. L. Milligan has indicated that he will retire after the AGM.

Meeting, Edinburgh, April 21 at 10 a.m.
Chairman's statement Page 22

CHRYSLER U.K.

Holders of the two listed debenture stocks of Chrysler United Kingdom have approved proposals to give additional security for the stocks.

New Issue
March 30, 1976



This advertisement appears as a matter of record only.

EUROPEAN ECONOMIC COMMUNITY

US-\$ 300,000,000

8¼ % US-Dollar Bearer Bonds of 1976/1982

Deutsche Bank
Aktiengesellschaft

Amsterdam-Rotterdam Bank N.V.

Banca Commerciale Italiana

Banque de Paris et des Pays-Bas

Credit Suisse White Weld

Kreditbank S.A. Luxembourgeoise

Société Générale de Banque S.A.

Swiss Bank Corporation (Overseas)

Union Bank of Switzerland (Securities)

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Algemene Bank Nederland N.V.

Allied Irish Investment Bank

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Banque Internationale à Luxembourg S.A.

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Barclays Bank International

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Dresdner Bank

European Banking Company

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Kidder, Peabody International

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Aktiengesellschaft

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Bache Halsey Stuart Inc.

Julius Baer International

Banca del Gottardo

Banca Nazionale dell'Agricoltura

Banca Nazionale del Lavoro

Banca Provinciale Lombarda

Banca della Svizzera Italiana

Banco Ambrosiano

Banco di Roma

Bank of America International

Bank of Bermuda

Bank für Gemeinwirtschaft

Bank Gutzwiller, Kurz, Bungener (Overseas)

Bank Leu International Ltd.

Bank Mees & Hope NV

The Bank of Tokyo (Holland) N.V.

Bankers Trust International

Banque Française du Commerce Extérieur

Banque Générale du Luxembourg S.A.

Banque de l'Indochine et de Suez

Banque Lambert - Luxembourg S.A.

Banque de Neufville, Schlumberger, Mallet

Banque Populaire Suisse S.A. Luxembourg

Banque Rothschild

Banque de l'Union Européenne

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James Capel & Co.

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Compagnia Finanziaria Interbancaria S.p.A.

Compagnie Financière de la Deutsche Bank AG

County Bank

Crédit Commercial de France

Crédit Industriel d'Alsace et de Lorraine

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Crédit du Nord et Union Parisienne

Creditoanstalt-Bankverein

Credito Italiano

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Den Danske Landmandsbank

Den Danske Provinsbank A/S

Delbrück & Co.

Den norske Creditbank

DG Bank

Deutsche Girozentrale

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Lazard Frères & Co.

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London Multinational Bank (Underwriters)

Nomura Europe N.V.

Norddeutsche Landesbank

Samuel Montagu & Co.

Peterbroeck, Van Campenhout, Kempen S.A.

Pictet International

The Nikko Securities Co., (Europe) Ltd.

PKbanken

Rothschild Bank AG

Sal. Oppenheim Jr. & Cie.

J. Henry Schroder Wagg & Co.

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Pierson, Helderling & Pierson N.V.

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UBS-DB Corporation

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Union Bank of Finland

Aktiengesellschaft

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Aktiengesellschaft

Wood Gundy Limited

INTERNATIONAL COMPANY NEWS + EURO MARKETS

Krupp reports order upturn as it emerges from the recession

BY GUY HAWTIN

FRANKFURT, March 29.

THE KRUPP concern is looking forward to reaping the benefits of the economic upturn this year. After weathering the recession reasonably comfortably, the management has reported a small, but noticeable upturn in orders compared with 1975, particularly in the steel, metallurgy and trading sectors.

Herr Heinz Petry, chief executive of Friedrich Krupp, said that despite the harsh effects of the economic downturn on these three sectors the concern's external turnover last year rose by 2 per cent. to DM9.3bn. (close on £1.5bn.). This, in view of the worldwide steel recession and the overall economic climate, could be regarded as satisfactory.

Krupp's comparative success is in large measure attributable to a substantial growth in its plant and machinery building activities, as well as a considerable expansion in overseas business. The shipbuilding sector also reported a worthwhile rise in turnover.

Sales fall

The steel and metallurgy sector saw a decline in turnover of about 15 per cent. to DM2.5bn. (close on £400m.). This, in view of the worldwide steel recession and the overall economic climate, could be regarded as satisfactory.

In contrast, the industrial plant and machinery manufacturing sector pushed up turnover by a full 35 per cent. to DM9.0bn. (close on £1.4bn.). Turnover in the shipbuilding

sector rose by more than 100 per cent. to DM8.4bn. (close on £1.3bn.). This, in view of the worldwide steel recession and the overall economic climate, could be regarded as satisfactory.

Overseas

The concern's overseas subsidiaries took on an increasingly important role in Krupp's activities. Krupp in Brazil, together with plant construction concerns Polysius and Krupp-Koppers, showed particularly fast growth rates. Their combined turnover rose by close on 50 per cent. in 1975 to account for about one fifth of all overseas business.

By the end of 1975, the Krupp order book stood at DM9.5bn. (close on £1.5bn.), more than at the end of 1974. A mild upturn in orders had been noted, particularly in the steel, metallurgy and trade sectors in the final two months of the year and the improving trend continued into the new year.

The major overall rise in orders over the year took place in the plant and machinery making sector. By the end of the year the order book was DM1.3bn. up on the year-end 1974 figure of DM6.4bn. In the steel and metallurgy sector the order book shrank by DM2.5bn. to DM9.0bn., while in the shipbuilding branch orders remained virtually unchanged at DM2bn.

Bull returns to dividend lists

By Rupert Cornwell

PARIS, March 29.

COMPAGNIE des Machines Bull, the company which once cashed in France's hopes of building a viable national computer industry, is at last to pay a dividend again—the first since 1962 and the financial crisis which led to the company's downfall.

The total payment of Frs.1.30 per share is modest enough and far below the Frs.3.63 distributed 14 years ago. But it is the symbol of a return to reasonable health, and a belated reward for patient shareholders who have waited with the Frs.350m. (€53m.) over the last seven years to subscribe to capital increases by Honeywell-Bull, in which their company held 24 per cent.

Last year's operating profit reached Frs.9m., of which Frs.7m. came in the form of dividends from Honeywell-Bull, now in the process of merging with the other, purely French, computer group, CIL. If certain predictions are included, over all 1975 earnings were Frs.22m.

Since 1962, the history of Bull has been practically the history of the French computer industry. Taken over by a group of investors in 1962 by General Electric of the U.S., its operating side passed under the control of Honeywell six years later, when that company bought out CIL's worldwide computer interests.

Now Bull is to be the beneficiary for the majority control that the French Government has secured in CIL-Honeywell-Bull under the terms of the merger.

In two months' time, Bull shareholders will approve the transfer of 19 per cent. of Honeywell-Bull—acquired by the French State and the BCE.

Favourable results at Fiat

BY ANTHONY ROBINSON

ROME, March 29.

FIAT TO-DAY announced a 1975 net profit of Lire 107m. (€17.5m.) after depreciation of Lire 205.1bn. (€32.7m.) and provision of Lire 125.4bn. to the staff indemnity fund. The board decided to pay an unchanged Lire 100 dividend on both ordinary and privileged shares by drawing on reserves for the third consecutive year.

Last year Fiat reported a net profit of Lire 36m. on turnover of Lire 2,836bn. after depreciation of Lire 226.7bn.

The two years are not however strictly comparable because of the progressive hiring-off of major divisions into separate operating companies under Fiat's reorganisation along holding company lines. The substantial Fiat truck interests for example were hired off at the start of 1975 and concentrated on the Amsterdam-based Iveco group controlled by Fiat International Holdings. Forklift trucks, oil and lubricants and electronics were hired off in the same way at the start of 1976, so completing the reorganisation which has taken five years to implement.

This hiring-off makes comparisons virtually impossible. Similarly the practice of taking

advantage of the favourable tax situation for depreciation allowances tends to minimise the net profit figure. Under the circumstances, Fiat has decided once again to pay the dividend by drawing on the taxed reserves rather than reduce depreciation. It will cost Fiat around Lire 30bn. to pay a Lire 100 dividend and give a return of 20 per cent. on paid-up capital of Lire 150bn. in the presence of a positive cash flow of Lire 330.5bn.

It should be pointed out that this positive cash flow comes from Fiat's automobile, steel-making activities, etc. but does not take into account the results of the truck, rearmament equipment, tractor and other divisions. These are all major sectors in their own right under the Fiat holding umbrella.

The profits and cash-flow figures referred to, therefore, take in two of the most depressed sectors of the Fiat group—automobiles and steel—which were particularly depressed last year. Invoiced car sales for example dropped by 57,000 units last year to 1.2m. units while steel production was down from 2.4m. tons to 1.8m. tons. The Iveco truck subsidiary, however, which is not consolidated

in the 1975 results, had a satisfactory year in 1975 in spite of the recession.

Under these circumstances, the overall performance of the Fiat group last year appears to have been profitable and certainly sufficient to justify the high investment/high depreciation strategy both at home and abroad.

Domènec Coyle writes: ENI, the Italian state energy and chemical complex, has decided on new investment of Lire 850bn. (€135m.) through a number of its major subsidiaries in energy, chemicals and engineering.

ENI's chairman, ENI's president, said that the new investment, over and above that already approved and being implemented in the group's overall 1975-79 programme, represents a relevant effort in the present most difficult domestic and external situation. It was part of the group's undertaking to continue investment as a contribution to securing an upturn in the Italian economy.

The new investment is being directed almost entirely through three ENI companies: AGIP (€350bn.), ANIC (€370bn.) and SNAI (€103bn.).

Mixed prospects at Metallgesellschaft

BY GUY HAWTIN

FRANKFURT, March 29.

METALLGESELLSCHAFT can hardly be described as wildly enthusiastic about prospects for 1975-76. At the end of the first five months, earnings were below the previous year's level and management believes that a fair degree of optimism is needed to predict that the full 12 months profits will reach those of 1974-1975.

The Frankfurt-based metals, engineering and transport concern is, unavoidably, very sensitive to the economic climate, despite a substantial diversification of interests. In 1974-75 the recession left a deep mark on results, which was all the more noticeable after the group's tremendous success in the previous year.

Turnover in 1974-75 fell by

DM1.2bn. (€145m.)—or 15 per cent.—to DM5.5bn. (€112bn.) after a 36.5 per cent. increase last year. World turnover dropped back by 15.5 per cent. from DM7.2bn. to DM6.1bn., while net profits slid by 35 per cent. from DM36.9m. to DM25.1m.

During the current year the concern's plant construction sector (which has normally good results together with the transport sector), are expected to continue to produce satisfactory profits. The chemicals sector is showing a measurable improvement after being hit by the recession in 1974-75.

Trading is less cheerful in the metals sector, where there is considerable market and price

uncertainty in a number of areas, particularly in metal smelting. This is expected to lead to strongly reduced earnings compared with 1974-75. Zinc, a strong area of interest for Metallgesellschaft, is among the worst affected.

Loss-making sectors are still taking their toll on the concern. However, these have been somewhat curbed in the aluminium production sector, while a restructuring has cut back losses in aluminium processing.

Investment in 1975-76, is planned at DM200m., down on the previous year's DM261.2m., but set on 1974-75 at DM165.2m. Investment in capital equipment will total DM180m., compared with DM197.3m. in 1974-75.

Uddeholm misses January forecast

BY WILLIAM DULLFORCE

STOCKHOLM, March 29.

PRE-TAX earnings in 1975 by Uddeholm, the Swedish steel and forest industry concern, have come out about Kr.50m. lower than reported in January, when the Board announced new rights and scrip issues. The final figures show a profit of Kr.58m. (€6.6m.) excluding inventory gains compared with Kr.358m. (€41.6m.) in 1974.

Stock profits at Kr.160m. (€19m.) against Kr.124m. in the previous year were higher than expected, improving the pre-tax figure to Kr.216m. compared with Kr.480m. Turnover fell by

7 per cent. to Kr.2.1bn. (€243m.) in line with the weakening in demand for steel, paper and timber products abroad. Earnings per share, excluding stock in 1974, in January it announced a rights issue of one-for-three, calculated to bring in some Kr.143m. (€17m.), to be followed by a one-for-four scrip issue, raising the share capital from Kr.235.2m. to Kr.595.3m.

Uddeholm is undertaking a Kr.1.6bn. capital investment programme during the three-year period 1974-78 with emphasis on forest side rather than on the problematic steel sector.

The Board has proposed a dividend of Kr.9 per share compared with Kr.5 plus a Kr.1 bonus in 1974. In January it announced a rights issue of one-for-three, calculated to bring in some Kr.143m. (€17m.), to be followed by a one-for-four scrip issue, raising the share capital from Kr.235.2m. to Kr.595.3m.

Uddeholm is undertaking a Kr.1.6bn. capital investment programme during the three-year period 1974-78 with emphasis on forest side rather than on the problematic steel sector.

Bank of America loan for Ecuador

BY HUGH O'SHAUGHNESSY

THE BANK of America in San Francisco has announced the signature of a \$90m. syndicated loan for Ecuador for transport, agriculture and medical projects. The term is seven years. The syndicate includes Wells Fargo, Chase Manhattan, Citicorp and Manufacturers Hanover.

The loan comes at a time when

the government of Admiral Poveda Burbano which overthrew General Guillermo Rodriguez Lara in January is finding it difficult to balance its budget as a result of difficulties with the export of petroleum. The consortium, which is the largest unit in the industry and which built the trans-Andean pipeline to bring crude from the Amazon basin to the Pacific port of Esmeraldas, has reportedly been seeking a \$500m. loan for the State of Ecuador. It is understood that Ecuadorian crude which, according to international oil company sources, is overpriced. Ecuador underwriting group of banks, so far has maintained crude prices in line with those of its OPEC partners.

Much of the private sector has been critical of the role of the government has assumed in regulating the oil industry, and has called for the abolition of the ceiling of 230,000 barrels of exports which, it says, would stimulate the major international companies to greater efforts to move Ecuadorian oil.

Mary Campbell writes: The size of the Euro market loan been arranged for the Rio di Janeiro Airport company has been increased from \$100m. to \$120m. (€152m.). Signing of the loan is expected on April 12. The spread on the loan is 11

per cent. and participation fees (which are paid at the beginning of the life of the loan) range from 1 per cent. for smaller participations to 3 per cent. for larger ones. The maturity is five years and the lead manager is Banco do Brasil.

The Rio Airport loan has reportedly had a better response in the market than the last big Brazilian public sector financing, has reportedly been seeking a \$500m. loan for the State of Ecuador. It is understood that Ecuadorian crude which, according to international oil company sources, is overpriced. Ecuador underwriting group of banks, so far has maintained crude prices in line with those of its OPEC partners.

The two loans carry the same spread but in contrast to São Paulo, the Rio Airport loan will be taken against government securities and guarantee. Euro market bankers have called for the abolition of the ceiling of 230,000 barrels of exports which, it says, would stimulate the major international companies to greater efforts to move Ecuadorian oil.

The Ivory Coast has arranged to borrow \$17m. (€21m.) from a syndicate headed by Bankers Trust International. Maturity of the loan is five years and spread has reportedly 2 per cent. The proceeds are to be put towards the middle income housing development of the coffee co-operatives.

Sharp rise in profits for Kirin

KIRIN Brewery has announced that after-tax profits were Yen 8,660m. for the year to January 31 (Yen 8,330m. in the preceding year). Gross sales were Yen 528.6bn. (Yen 488.2bn.) and the dividend Yen 75 (unchanged).

A company spokesman said that gains of 12.9 per cent. in gross sales and 15.6 per cent. in net profits over the previous year were largely aided by increased shipments of beer and other beverages and retail price rises. He said beer sales volume in the current term to January 1977 was expected to rise slightly to 2.4m. kilolitres from 2.3m. kilolitres a year ago.

Sales of carbonated beverages and fruit juices will be boosted by 20 per cent. and 50 per cent. respectively, over the previous

year, he estimated. The spokesman added that as a result, after-tax profits for the current year, are certain to rise to Yen 13.5bn. on estimated sales of Yen 625bn.

Kirin brewery hopes to keep a 15 per cent. dividend rate for Yen 7.50 per share for the year in question, he added.

Ericsson unchanged

Sto. Francisco des Telephones Ericsson has disclosed net 1975 profits of Frs.20.8m. (unchanged from 1974 after an exceptional 18 per cent. profit tax levy. Before the levy, profits were Frs.25.5m.). The total proposed dividend is Frs.14.5m. (Frs.17.5m.). The company has already announced

Accounting wrinkles at Burns and Philips

BY JAMES FORTH

SYDNEY, March 29.

BURNS Philp and Co., the major merchandising, manufacturing, investment and island trading group, to-day reported almost steady earnings for the December half year. But this was only after including trading losses as an extraordinary item. If this had not been done earnings would have been lower than reported.

On the other hand Philips Industries Holdings, electrical goods maker, reported a 6 per cent. gain in profits for 1975 but would have shown a much larger increase except for its treatment of profits. A large abnormal item was charged against earnings for anticipated future losses from currency exchange fluctuations on loans, rather than as a provision from profits.

Burns Philp reported earnings of \$4.47m. for the December half, a decline of only 2.4 per cent. on the \$4.58m. earned in the 1974 December half. The interim dividend is held steady at 7.5 cents a share.

In addition, the company declared an extraordinary loss of \$42.0m. from the "Mates" retail activities, which have been sold releasing \$42.0m. from retailing. The loss is around the figure anticipated by the company.

However, Burns Philp said the extraordinary loss includes trading losses of the "Mates" stores sold during the half-year, losses on sale of assets and provision for losses on two stores sold since December 31.

The amount of the trading losses which would normally be charged against earnings, was not disclosed. Sales rose 47 per cent. from \$4.6m. to \$6.8m. in the half.

The group is involved in a major redeployment of assets to eliminate unprofitable activities. Group sales jumped from \$421m. to \$430m.

Philips 78 per cent. owned by the Dutch group NV Philips Gloeilampenfabrieken, reported a profit increase from \$42.0m. to \$43.36m. But this was after applying a \$1.24m. abnormal item relating to anticipated future exchange losses on loans. If this had been a provision against earnings, profits would have risen to a more imposing \$44.6m. The dividend is doubled from 5 cents a share to 10 cents.

The "Mates" factor, in the current six months was expected to be similar to those for the same period last year. Philips said there was an imbalance of conditions from its various divisions. While results from the colour television side were pleasing, some other group activities were disappointing because of quota restrictions, lack of instant sales in capital goods and the state of the economy generally.

Group sales jumped from \$421m. to \$430m.

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Group sales jumped from \$421m. to \$430m.

Reserve Bank steps up Indianisation process

BY K. K. SHARMA

NEW DELHI, March 29.

THE RESERVE Bank of India has directed 217 foreign companies to reduce their non-resident interest and to associate Indian equity participation with them. The extent of foreign interest sought varies from as much as 60 to 25 per cent.

The directives have been issued under the Foreign Exchange Regulation Act (FERA) which provides for a formula for Indianisation of foreign firms. So far 44 companies have complied with the directive. The total number of foreign firms which have applied to continue operations in India are 463 which have more than 40 per cent. non-resident interest and another 366 which are incorporated abroad, but have Indian subsidiaries.

The Reserve Bank has warned foreign companies which do not comply with the directive that action will be taken against them under the Act and it is thought that some will be asked to wind up their operations.

Most in this category are purely trading companies. These are required either to diversify their activities and start manufacturing projects or to close down. A large number of these have in fact submitted proposals to start manufacturing industries and their applications are being studied.

The guidelines issued under the Act require all foreign firms, more involved in exporting, like wheat, the exception of those the tea industry, will have to shed which are export oriented or less of their equity holdings.

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They place now much greater responsibility on the officers and crew of each ship for its profitability, which has led, for example, to a saving on spare parts and maintenance, resulting in the annual docking period for some ships being cut from three weeks to only a few days.

The third reason has been the forceful marketing operation carried out by DFDS in the U.K., Denmark and on the continent to promote and sell the line's North Sea-Inter-Scandinavian and Mediterranean routes.

DFDS has begun negotiations with a number of shipyards in connection with the building of a new drive-on/dry-dock passenger and freight vessel for the Harwich-Esbjerg route. This ship will be generally similar, but larger, than the company's successful flagship on the U.K.-Denmark service, m.s. "Dana Regatta" (12,500 tons).

Sumitomo funding

SUMITOMO Metal Industries is considering a plan to raise funds in Switzerland, a company spokesman said.

The spokesman said details have still to be finalised. But local financial sources said the company's Curacao-based subsidiary proposes to raise Swiss Fr.150m. through a private placing in Switzerland.

The financial source said Sumitomo is studying financing abroad because its issues on the domestic Japanese market have brought it close to the limit laid down under the commercial code which restricts a company's bond issues to the combined total of its capital and reserves.

A plan to raise the upper limit between the U.K. and Denmark by revising the line is being discussed but is unlikely to be realised for some time, they said.

Proceeds of the issue would be deposited with Swiss banks which would supply the money to Sumitomo in the form of a term loan. This would avoid the Japanese taxation liability that a direct loan from the subsidiary would incur, they said.

Second shareholder management techniques have been reorganised.

Reuter

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\$33,000,000

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GROUP CASH FLOW for 1975 amounted to Frs. 201,505,000 representing 17.0% of turnover (an increase of 15.1% as compared with 1974).

After adding exceptional profits of Frs. 1,772,000 and reintegration of the 1969 investment provision of Frs. 2,028,000, Frs. 3,800,000.

and deducting appropriation to the depreciation account of Frs. 80,332,000 (as against Frs. 75,363,000 in 1974), provision for doubtful debts Frs. 785,000 (as against Frs. 427,000 in 1974), investment provision based on the staff participation of the preceding year Frs. 14,338,000 (as against Frs. 17,508,000 in 1974), tax on profits for the financial year Frs. 46,238,000 (as against Frs. 28,588,000 in 1974).

Frs. 141,583,000

NET PROFITS for the 1975 non-consolidated financial year, excluding staff participation, amounted to Frs. 63,722,000, a 20% increase on the 1974 result of Frs. 53,125,000. This increase is due to the reintegration of investment provisions which were made in 1974, as well as the reduction of tax on profits, thus showing a 32.6% increase on the 1974 result of Frs. 48,024,000.

Mr. Arthur is also willing to act as a non-executive director.

Summary of services offered and further information from Mr. Arthur at 3, Vaseley Rd., Edgbaston, Birmingham B15 3JP Tel: 021-455 0445 and 021-455 0446, 4, South Place, London EC2M 2QY Tel: 01-438 8891.

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Bank of America, Toronto Dominion Bank, Banco de Santander, Banque Paribas, BNP, Caisse d'Epargne de Paris, Citibank, Comptoir d'Escompte de Paris, Credit Lyonnais, Credit National, Credit Suisse, Deutsche Bank, HSBC, Indosuez, KfW, Landeskreditbank, Paribas, Societe Generale, Union Commerciale de France, WestLB, etc.

Banking Offices:
Luxembourg, Nassau and Cayman.

Representative Offices:
London, New York and Panama.

Clark renews interest in forklift truck site

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

CLARK EQUIPMENT, the U.S. Group, may choose the U.K. to site a major forklift truck plant in spite of a decision only last May to close its manufacturing operations at Camberley, Surrey. Clark also stopped making hydraulic cranes at Camberley as part of a reorganisation following several years of U.K. losses. In 1975, the group's U.K. loss was \$15m. (about £7.7m.) which included a \$8m. (£3.07m.) provision for the closures.

The group's manufacturing operations in Britain have therefore been cut to the making of van carriers and a 50 per cent. share in Crown Cranes.

It remains heavily involved in the forklift truck market, however, through independent dealers and distributors. Lift trucks, tractor shovels and other construction machinery is being supplied from the U.S. and Europe.

Along with other U.S. lift truck makers—namely Eaton, Hyster and Caterpillar—Clark has been rationalising European production.

Only last week it announced plans to triple production at the Mulheim plant in West Germany, where Clark concentrates on making internal combustion engine trucks.

It was also said that production would start at Mulheim of "selected" electric lift truck models. (In 1973 Clark said that Camberley had been chosen to be developed as its main production centre for electric trucks.)

Mr. Robert H. Brown Jr., group vice president, maintained the expansion at Mulheim was "part of an important overall growth programme."

This programme could, although he did not say so, possibly include the U.K. Much depends on the contents of the Budget, the changes in the Price Code and, to some extent, on the decision about the new Prime Minister.

But with Caterpillar, its major rival, building a new forklift plant near Leicester, Clark is giving serious consideration to siting a new plant here.

The company foresees improved market conditions for lift trucks beginning this year and reaching a peak late in 1977 or during 1978.

Small businesses 'face extinction'

FEW OF Britain's 800,000 independent businesses will survive beyond this generation, Mr. William Poole, founder member of the newly-formed South-West Regional Branch of the Association of Independent Businesses, said in Bristol yesterday.

Many of the 10m. people working in the smaller sector of business were in danger of losing their jobs, he added.

The national executive of the AIB had set up regional and constituency councils in the South West, North West and Wales to maintain contact with MPs and Parliamentary candidates.

The councils would become a force which politicians would dare not ignore.

upon them by Whitehall.

The national executive of the AIB had set up regional and constituency councils in the South West, North West and Wales to maintain contact with MPs and Parliamentary candidates.

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APPOINTMENTS

Management reorganisation at Turner and Newall

From April 1, all TURNER AND NEWALL manufacturing companies at home and overseas will operate in the following three divisions, plastics and industrial materials, construction materials, and automotive components. The mining and distribution of asbestos fibre will form the fourth world-wide division.

Three new divisional chief executives, who will be based at the company's headquarters, will be Mr. F. E. Mills (plastics and industrial materials); Mr. D. W. Hills (chairman of TBA Industrial Products), construction materials; and Mr. B. G. Hill (chairman of Perodot), automotive components. Mr. Mills will be responsible to T and N managing director Mr. C. W. Newton; Mr. Hills and Mr. Hill to J. K. Shepherd, managing director designate. Mr. Newton will be the T and N managing director in charge of the mining and distribution of asbestos.

Mr. H. D. S. Hardie, currently responsible for various overseas manufacturing companies, will be appointed personnel and external relations director. Mr. A. Bell becomes finance director.

Mr. A. M. Kinsop has relinquished his positions as chairman and chief executive of TOUTAL and resigned from the Board for personal reasons. Mr. G. H. Kervon, deputy chairman, has been appointed chairman and Mr. R. F. Audley has been made managing director.

Mr. T. C. Leader, managing director of the power and process engineering group of BABCOCK AND WILCOX, has resigned from the Board of Babcock and Wilcox (Operations). Mr. R. Dean, deputy managing director of power and process engineering group, is to be chairman of Babcock and Wilcox (Operations). He remains chairman of Woodall-Duckham.

Mr. B. Bagley has become managing director of Babcock and Wilcox (Operations) and Mr. W. J. Ryder is now managing director of

Woodall-Duckham, succeeding Mr. Dean. Mr. M. J. Nightingale has been made director of administration and finance of Babcock and Wilcox (Operations). He continues as deputy managing director of Woodall-Duckham. Mr. J. A. Carter has been appointed director of contract operations of Babcock and Wilcox (Operations), succeeding Mr. Ryder.

Mr. John N. Turner has been elected a member of the Board of CROWN LIFE INSURANCE COMPANY, which is a subsidiary of the Canadian Imperial Bank of Commerce. He resigned as Minister of Finance in September last year.

Mr. A. I. Buchanan, comptroller of DECCA RADAR, has been appointed to the Board.

Mr. K. V. Groh has been appointed to the Board of MORICE TOZER AND BECK (HOLDINGS).

Mr. John R. C. Boys, director of corporation administration and special assistant to the chief executive, is retiring from the BRITISH STEEL CORPORATION to-morrow after nearly 30 years with the industry's central organisations.

Mr. Richard Funkhouser, former U.S. Ambassador in Gabon and recently U.S. Consul General in Scotland, has joined TEXAS EASTERN TRANSMISSION CORPORATION as an advisor on international affairs. He will reside in Edinburgh, Scotland.

Mr. Graham J. Barnes, deputy managing director of LAP Advertising, has been elected deputy chairman of the AUDIT BUREAU OF CIRCULATIONS.

Mr. Vincent J. Meads has been appointed managing director and chief executive officer from April

£'s fall will boost U.K. trade this year

BY ANTHONY HARRIS

THE RECENT fall in the foreign exchange value of the pound "apparently with the help—of the authorities" has given the U.K. a small competitive advantage which will still be apparent at the end of the year, according to Morgan Guaranty Trust, the U.S. bankers.

Morgan's view, influential in the markets, may help to sustain a firm market for sterling, but suggests that if the authorities permitted any further depreciation, they might be suspected of engineering a deliberate under-valuation of the pound.

The Morgan analysis, published in the March issue of the bank's World Currency Review, bases its conclusion on a comparison of wholesale price movements for manufacturers, compared with a trade-weighted average depreciation.

Forecasting that the British wholesale prices of manufactures will rise 11 per cent. between last December and next December (compared with recent year-on-year increases of about 15 per cent.), the bankers conclude that a 39.2 per cent. weighted depreciation would preserve the U.K. competitive position as it was last December.

By contrast, the fall this month took the weighted depreciation to 41.8 per cent., giving an apparent 1.6 per cent. advantage even at the end of the year.

The Review says that although there are growing fears of competitive depreciation, the British record demonstrates a successful policy of neutral exchange rate management.

"The U.K. has experienced little net change in competitive position since late 1974, despite inflation greatly in excess of its trading partners."

KUBOTA, LTD.
(Kubota Tekko Kaisha, Ltd.)
6 1/2 % Convertible Debentures due 1991

NOTICE IS HEREBY GIVEN to Holders of the above-mentioned Debentures that:

- By resolution of the Board of Directors adopted on March 11, 1976, Kubota Ltd. (the "Company") intends to make a free distribution of shares of its Common Stock at the rate of one (1) new share of Common Stock of the Company for each ten (10) shares of Common Stock held. This free distribution is to become effective April 16, 1976, Japan Time (corresponding to April 15, 1976 in New York City) in its shareholders' list of record on April 15, 1976, Japan Time (corresponding to April 14, 1976 in New York City).
- The current conversion price of the Company's 6 1/2 % Convertible Debentures, due 1991 is 379 Japanese Yen per share.
- After giving effect to the free distribution of new shares referred to above, the adjusted conversion price shall be 326.10 Japanese Yen per share.
- The adjusted conversion price will become effective immediately after April 15, 1976, Japan Time (corresponding to April 14, 1976 in New York City).

KUBOTA, LTD.
March 30, 1976

(This announcement appears as a matter of record only)

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\$25,000,000
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Investitions-und Handels-Bank A.G. London Branch	Manufacturers National Bank of Detroit
Mitsubishi Bank (Europe) S.A.	National Bank of North America Nassau, Bahamas
The Royal Bank of Canada International Limited, Nassau	The Sanwa Bank of California
Tokai Bank Nederland N.V.	United Virginia Bank

Arranged by
LIBRA BANK LIMITED
As Agent

SOCIETE GENERALE DE BELGIQUE

Financial Year 1975

A summary of Governor Corbiau's Statement

In a speech to shareholders at the annual General Meeting held on 16th March 1976, the Governor of the Société Générale de Belgique, Monsieur P. E. Corbiau affirmed his company's faith in the future.

Over the last 5 years Société Générale Belgique had invested over BF 5,000 billion in company shares; and in 1975 used convertible loan bonds for a total BF 2,700 million. Applications for these bonds were well in excess of the numbers offered. This success proved a high credit rating of SGB, and the confidence placed in it by the investing public both in Belgium and abroad.

The operating profit for 1975 was 1,409 million and the company paid dividend of BF 175 per share net of the tax withholding tax. The break-up on March 12th 1976 was about 21,256 million.

During the year the company's shareholdings had increased by BF 1,407 billion in line with a policy designed to provide sufficient permanent capital for the further development of firms within the Group, and to strengthen the company's stake in the industries of the future—especially the services sector.

Governor Corbiau emphasised that the difficulties in raising equity capital through the market must not be underestimated, and even companies whose earning capacity had not been in the long term affected by the present crisis were meeting with these problems.

The Annual Report set out in detail the factors militating against company profits which have in turn resulted in an unprecedented shrinkage in company financing by share issues.

Referring to the current state of business, Governor Corbiau said that although there was now less anxiety in some industries, the problems of inflation and unemployment were far from being solved and he called for a firm national policy for economic rebirth when the crisis from which the country was beginning to emerge was finally ended.

The Annual Report and the full text of Governor Corbiau's speech can be obtained from Société Générale de Belgique External Relations Dept. Rue Bréderode 13 - B 1000 Brussels - Tel. 02 51 388 55 Ext. 38 or from Banque Belge Limited, 16 St. Helen's Place, London EC3A 4JT. Tel. 07-283 1080.

All of these securities having been sold, this announcement appears as a matter of record only.

NEW ISSUE

\$100,000,000

BAXTER LABORATORIES, INC.

4 3/4 % Convertible Subordinated Debentures, due January 1, 2001

Merrill Lynch, Pierce, Fenner & Smith Incorporated	White, Weld & Co. Incorporated
The First Boston Corporation	Goldman, Sachs & Co.
Bache Halsey Stuart Inc.	Blyth Eastman Dillon & Co. Incorporated
Drexel Burnham & Co. Incorporated	Hornblower & Weeks-Hemphill, Noyes Incorporated
Kuhn, Loeb & Co.	Lazard Frères & Co.
Paize, Webber, Jackson & Curtis Incorporated	Reynolds Securities Inc.
Blunt Ellis & Simmons Incorporated	Kleinwort, Benson Incorporated
Basle Securities Corporation	William Blair & Company
Robertson, Colman, Siebel & Weisel	Shields Model Roland Securities Incorporated
Thomson & McKinnon Auchincloss Kohlmeier Inc.	UBS-DB Corporation Incorporated
	Salomon Brothers
	Donaldson, Lufkin & Jenrette Securities Corporation
	Kidder, Peabody & Co. Incorporated
	Mitchell, Hutchins Inc.
	Dean Witter & Co. Incorporated
	Warburg Paribas Becker Inc.
	F. Eberstadt & Co., Inc.
	SoGen-Swiss International Corporation
	Wood, Struthers & Winthrop Inc.

BUSINESS AND INVESTMENT OPPORTUNITIES

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

PROPOSITION

precious metals, bimetal and precision parts for the electrical and electronic industry

Our client is an established manufacturer, leading in this field in West Germany and on the Continent. He is planning to expand his activities in the United Kingdom. The range includes all forms of precious metals, bimetal (strip, profile, wire, tube, contact and thermo bimetal) and precision parts, e.g., plug, connector, switch, relay contact parts and is sold primarily to the following industries:

- low-voltage switchgear, installation switches and appliances
- electrical communication and data processing
- electrical control equipment

We are looking for a dynamic, independent co-operation resp. distribution partner, as well as a qualified individual (representative) who would handle our clients' interests on the British market.

If such a collaboration would be of interest to you, please apply to our consultants:

KAPPELER & PARTNER

International Marketing Consultants
Riedererstraße 13 · D-8018 Garching b. München

PLASTIC RAW MATERIALS

Sole proprietor of a long established private limited company dealing direct with the Polymer Producers and other processing industries requires financial support. Business is mainly export and is conducted throughout the world with first class associates.

Reply to Box E.7696 Financial Times 10, Cannon Street, EC4P 4BY.

CREDIT LINES FOR INDUSTRY

30-month term bank advances. Long-term secured loans and short-term overdrafts. Complete and flexible hire-purchase and leasing for high value equipment. Borrowers need not change bankers or disturb existing lines. Write Box E.7707, Financial Times, 10, Cannon Street, EC4P 4BY.

NOTICE OF PLEDGEE'S SALE AT PUBLIC AUCTION 1500 SHARES OF COMMON STOCK OF INVESTORS MORTGAGE GROUP, INC.

Notice is hereby given that 1,500 shares of the Common Stock of Investors Mortgage Group, Inc. \$100 par value (the "Stock") constituting all the issued and outstanding common stock of Investors Mortgage Group, Inc., a Massachusetts Corporation, will be sold at public auction on April 27th, 1976, at 2:00 p.m. at the Auditorium, 1st floor, 100 Federal Street, Boston, Massachusetts, U.S.A. All interested and qualified prospective purchasers are invited to attend and bid at the sale.

THE STOCK HAS NOT BEEN REGISTERED FOR OFFERING AND SALE UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR ANY APPLICABLE PROVISIONS OF ANY STATE SECURITIES OR BLUE SKY LAWS. THE PURCHASER MAY NOT SELL THE STOCK EXCEPT PURSUANT TO THE ACT AND SUCH STATE LAWS AND RULES AND REGULATIONS PROMULGATED THEREUNDER. THIS NOTICE DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, THE STOCK IN ANY STATE TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION IN SUCH STATE.

Investors Mortgage Group, Inc. does business primarily through its wholly owned subsidiary Investors Mortgage Insurance Company, an Illinois corporation, and through subsidiaries of Investors Mortgage Insurance Company, Investors Mortgage Insurance Company and its subsidiaries do business throughout the United States and are engaged in the business of insuring lending institutions against loss resulting from defaults in payments on loans secured by mortgages on one to four family residential properties.

The sale will be made pursuant to the security interest in the Stock granted to The First National Bank of Boston (the "Bank") by the Pledge Agreement dated July 1, 1974, as amended (the "Pledge Agreement") to secure the indebtedness of Continental Investment Corporation to the First National Bank of Boston and fifteen other banks. The sale will be made to the highest qualified bidder. The Pledge Agreement reserves the right to reject any bid which it deems to have been made by a bidder which is unable, within the time limits provided by the Pledge Agreement, to satisfy and complete all requirements imposed upon purchasers in connection with the sale. The Pledge Agreement shall not be obligated to make any sale pursuant to this notice. The sale will not be completed until the successful bidder completes his purchase as provided herein within the time period provided herein and in case of such failure to complete the purchase, the Pledge Agreement reserves the right to bid and to become the purchaser at the sale and to credit against the purchase price any or all sums due to the Bank under the obligations secured by the Pledge Agreement. All other bids must be accompanied by a deposit equal to 10% of the bid in cash or funds acceptable to Pledge Agreement, payable immediately on conclusion of bidding, and evidence satisfactory to the Pledge Agreement of the bidder's ability to pay the balance of the purchase price. The balance of the purchase price shall be payable in cash at the time of transfer of the Stock. Within 60 days following the sale the purchaser must obtain the approval of the Departments of Insurance of the States of Illinois, California and Florida to the transfer of the Stock, or an exemption from such approval, and all other governmental approvals, consents or exemptions deemed necessary by the Pledge Agreement, and no transfer of the Stock will take place unless the purchaser can satisfactorily establish that such approvals, consents or exemptions have been obtained. If such approvals, consents or exemptions are not obtained or any other conditions to the completion of the sale are not satisfied within the time periods provided

herein or within such further time as the Pledge Agreement in its sole discretion shall permit, the funds deposited by the successful bidder shall be refunded and the rights of such bidder to purchase the Stock shall be cancelled and terminated, and unless the Pledge Agreement accepts the next highest qualified bid, no other bidder shall have any claim to the Stock and the Stock shall be retained by the Pledge Agreement to such further disposition as Pledge Agreement deems appropriate.

The Stock will be offered and sold pursuant to the Massachusetts Uniform Commercial Code and subject to the following conditions, in addition to those specified above:

- The Stock is being offered for sale as an entire unit and must be purchased as a unit by a single purchaser.
- The Stock is not registered and must be purchased for investment purposes only and not with view to resale or distribution. The purchaser will be required to present an investment letter in form satisfactory to the Pledge Agreement stating that the Stock is being acquired for the account of the purchaser and not with the view to resale in connection with any sale or distribution. The shares of Stock will be legended and a stop transfer order will be noted on the stock transfer books of Investors Mortgage Group, Inc.
- The purchaser must satisfactorily establish that purchaser has sufficient knowledge and experience in business and financial matters to properly evaluate the merits and risks of investment in the Stock.
- The purchaser must satisfactorily establish that purchaser is able to bear the economic risks involved in investment in the Stock.
- The purchaser must give a written acknowledgment that he has had such complete unrestricted access to financial and business records and files pertaining to Investors Mortgage Group, Inc., its subsidiaries and business as the purchaser deems necessary to make an informed investment decision.
- The purchaser must satisfactorily establish that the sale of the Stock does not violate any state securities law.
- Within five business days after the date of sale, or such earlier time as the Pledge Agreement may designate, the purchaser must enter into a Purchase and Sale Agreement in such form and containing such conditions as the Pledge Agreement may in its discretion provide.
- The Pledge Agreement may adjourn or cancel the sale hereby advertised or cause the sale to be adjourned from time to time, without written notice or further publication, by announcement at the time, and place appointed for such sale, or any adjournment, and, without further notice or publication, such sale may be made at the time and place to which the sale may have been so adjourned.
- The above terms and conditions of sale may be subject to additional or amended terms and conditions to be announced at the time of sale.

ONLY PERSONS WHO SATISFY THE FOREGOING REQUIREMENTS WILL BE PERMITTED TO BID AT THE SALE.

Information as to factual and financial information relating to Investors Mortgage Group, Inc. is available to qualified investors through James G. Page, Jr., The First National Bank of Boston, Massachusetts 02110, U.S.A., telephone (617) 434-3882, Boston.

Finance for Private Company Shareholders

If you are a shareholder in an established private company and you or the company require £50,000 or more for any purpose, ring Richard Strong, Charterhouse Development. Investing in private companies as minority shareholders has been our exclusive business for over 40 years.

Perhaps we can help you?

CHARTERHOUSE

Charterhouse Development Limited, 1 Paternoster Row, St. Pauls, London EC4M 7DH. Telephone: 01-248 3999. A Charterhouse Group company

Finance Available

Well established U.K. London-based Merchant House with extensive and diversified operations overseas in plantations, food marketing, timber, retailing, marine and engineering, sales and service is looking to increase its activities in the U.K. and add additional support to its overseas operations by acquiring a controlling share in a private company of similar interest(s).

Those who could benefit from an injection of new cash, additional established export markets and have sound management and staff willing to stay on, please write in the first instance in absolute confidence to—

(Ref: P.101)

SMILES & CO.,

15 Bedford Row, London, W.C.1.

Skilled Electronic Assembly

Extra Capacity

A small Electronics Company in the London area has spare assembly and test capacity. Specialising in the small batch production of low density printed circuit board assemblies, we have skilled assembly, test and inspection personnel capable of high flexibility and can, therefore, provide extra production capacity within the electronics/telecommunications field.

Please write to Box E.7708, Financial Times, 10, Cannon Street, EC4P 4BY.

EXPORTERS

We are an Omani trading company based in Muscat with offices in London and Rome. If you have a product that you feel has potential and would benefit from our extensive local connections, please write to us at Box E.7706, Financial Times, 10, Cannon Street, EC4P 4BY. We are not interested in selling European property.

EXPORT TO AUSTRALIA INDUSTRIAL PRODUCTS

An Australian company with sales offices in NSW, Queensland, Victoria and South Australia currently selling British and American standard industrial products seeks new exclusive franchisees. Please write in confidence, giving details of products, to Box E.7687, Financial Times, 10, Cannon Street, EC4P 4BY.

A WAY OF LIFE

and a living offered to entrepreneurs in or out of the U.K. in a well established and profitable business. This is a unique opportunity for a person with initiative, energy and a desire to succeed. Full details and prospectus available on request. Write to Box E.7709, Financial Times, 10, Cannon Street, EC4P 4BY.

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Nationally based Building Contractor seeks expansion in the above areas by takeover or merger with existing established business. (Turnover approx. £1,000,000 p.a.). Considerable financial resources available to promote expansion.

Please reply to Box E.7701, Financial Times, 10, Cannon Street, EC4P 4BY.

AIRLINE

Scheduled certificated U.S. carrier needs investment of £250,000. All or part outstanding venture capital opportunity. Reply: LOS ANGELES HELICOPTER AIRLINES. Financial Times, 10, Cannon Street, EC4P 4BY.

LIECHTENSTEIN COMPANY

Founded in 1960 with a nominal capital of £100,000. The company is now a public limited company. Share capital £100,000. Dividend £10,000 p.a. Write to Box E.7710, Financial Times, 10, Cannon Street, EC4P 4BY.

CAPITAL AVAILABLE

Private sector prepared to undertake new business. Will consider serious company proposals and reconstruction situations.

KONRAD ROBERTS LTD.

Investment Bankers, 15, Gresham Street, London, E.C.2. Tel. 01-488 1393/1474

Opportunity to purchase

DIANA ROSS LTD. a registered company name—see Ladies and Childrens Fashion etc. for details, please contact Mr. Owen at Elliott Messers and Co., 15, Gresham Street, London, E.C.2. Tel. 01-488 1393/1474

EXPORT TO W. GERMANY

We specialise in INDUSTRIAL MACHINERY and electrical equipment of general engineering environmental protection maintenance and control electronics etc. Full particulars from—Dr. C. W. Roper, International Marketing, 518 Duren, n. Cologne W. Germany.

Finance

Wanted from young professional individuals to open a night club disco in Yorkville. Brewery finance already provided in part. Total product cost £10,000. Interested parties in person only write Box E.7705, Financial Times, 10, Cannon Street, EC4P 4BY.

10.5% NET YIELD CAN. GOVT. GUARANTEED

5 YEAR TERM HOME MORTGAGE £100,000 min. purchase. Primary lender trust to servicing loan and holding the mortgage. Mortgagee and Solicitor. Write Box E.7711, Financial Times, 10, Cannon Street, EC4P 4BY.

PRIVATE INVESTOR WITH UP TO £60,000

Immediately available wishes to acquire small private company with growth and profit potential, or enter into partnership in manufacturing or trading enterprise—preferably with export possibilities. Serious enquiries please write Box E.7712, Financial Times, 10, Cannon Street, EC4P 4BY.

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No property owner business or private can afford the loss and damage caused by vandals, burglars or fire. Security Alarm Division can protect your property with simple or complex alarm systems as required. Nationwide installation and maintenance service. Tel. 01-352 0143. Ext. 141.

DANISH HOUSING SYSTEM

Danish Punking Group C.S.S. Ltd. is seeking construction/marketing firms at present for U.K. or overseas. Contact: C.S.S. Architects, Robert Mervatt at Herd International, 54, Beaufort Place, London, W.1. Tel. 01-583 8730. Ext. 0777

A SUBSTANTIAL OLD HOUSE

is available. Is an excellent residential area. It is suitable for conversion into separate accommodation for ten or twelve retired professionals, and the location is in a highly desirable area. The house is a substantial old house, built in 1800, and is a fine example of Georgian architecture. It is situated in a quiet residential area, and is close to all amenities. The house is available for sale at a very attractive price. For further details, please write to Box E.7713, Financial Times, 10, Cannon Street, EC4P 4BY.

EXCITING LARGE CLUB PROJECT

Country Manor House, in 50 acres of beautiful parkland requires financial aid for development to meet the expanding needs of the new NATION EXHIBITION CENTRE and is situated in the most highly rated sports area in Great Britain. This is a unique opportunity for an ambitious young couple with extraordinary ideas. Successful and profitable. Negotiable. Contact Box E.7704, Financial Times, 10, Cannon Street, EC4P 4BY.

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The Acknowledged Leaders in Ladies High Fashion operating from the North of England and Midlands. We specialise in the type of merchandise whose market is very stable and commercial. We are interested in finding a young Business Partner in order to expand our existing group of City Centre Shops. Further information please write to us at Box E.7706, Financial Times, 10, Cannon Street, EC4P 4BY.

GUERNSEY TRUST COMPANY

Offers a very wide range of facilities, including investment, estate planning, administration, investment portfolio management and taxation advice. Brochure available on request. Fort Trustees Limited, 39/41 High Street, St. Peter Port, Guernsey, Channel Islands. Telephone: 0481-24016 (4 lines).

YOUR OFFICE IN REGENT STREET

5 Prestige business address 24-hr. telephone answering 24-hr. security service. Fully furnished offices. 150 Regent Street, W.1. Tel: Daytime 01-734 9571 Evening/weekends 01-734 5351

EXPORT LOW E.C. PRODUCE

Low E.C. produce, more competitive in Europe. We seek agency for export of low E.C. produce. Write to Box E.7714, Financial Times, 10, Cannon Street, EC4P 4BY.

PRIVATE LIMITED COMPANIES—£50

Share capital £50,000. Dividend £10,000 p.a. Write to Box E.7715, Financial Times, 10, Cannon Street, EC4P 4BY.

NATIONWIDE DEBT RECOVERY SERVICE

Specialising in the recovery of debts from all sources. Write to Box E.7716, Financial Times, 10, Cannon Street, EC4P 4BY.

WANTED: AGENTS AND INVESTORS

Wanted: Agents and investors for the sale of a large number of shares in a public limited company. Write to Box E.7717, Financial Times, 10, Cannon Street, EC4P 4BY.

WANTED: AGENTS AND INVESTORS

Wanted: Agents and investors for the sale of a large number of shares in a public limited company. Write to Box E.7718, Financial Times, 10, Cannon Street, EC4P 4BY.

FROZEN FOOD BUSINESS WANTED

Medium-sized company in the food industry, based in Northern England is seeking to acquire a small company engaged in the frozen food business. Cash purchase contemplated. Preferred size up to 100 million turnover. The purchaser must have a minimum of 10 years experience in the food industry. Further information please write to us at Box E.7719, Financial Times, 10, Cannon Street, EC4P 4BY.

TELEX—£25p a

If your business does not warrant a telex installation of your own, then you should consider joining our Telex-Sharing Service. Now is the time to cut your phone bill, reduce letter writing and speed up your business. May we send our brochure? 01-484 5011 01-485 4442 British Monomarks, Est. 1925.

DIRECTOR SEEKS ACTIVE STAKE

in small private company. Director seeks active stake in small private company. Write to Box E.7720, Financial Times, 10, Cannon Street, EC4P 4BY.

CHARTERED ACCOUNTANT IN WEST END

looking immediately for new office would be interested in partnership with a chartered accountant. Write to Box E.7721, Financial Times, 10, Cannon Street, EC4P 4BY.

MANUFACTURER IS INTERESTED IN JOINING

national and international contacts to assist in the development of a new homebased product. Write Box E.7722, Financial Times, 10, Cannon Street, EC4P 4BY.

PLANT AND MACHINERY

Wanted: All forms of used plant and machinery. Write to Box E.7723, Financial Times, 10, Cannon Street, EC4P 4BY.

WANTED: AGENTS AND INVESTORS

Wanted: Agents and investors for the sale of a large number of shares in a public limited company. Write to Box E.7724, Financial Times, 10, Cannon Street, EC4P 4BY.

WANTED: AGENTS AND INVESTORS

Wanted: Agents and investors for the sale of a large number of shares in a public limited company. Write to Box E.7725, Financial Times, 10, Cannon Street, EC4P 4BY.

16% PER ANNUM

Interest paid on deposit accounts. Paid gross. No tax deducted. Minimum deposit: £100. Minimum period: 12 months. Special rate for £10,000 plus. Full particulars from: FIRST FAVELL FINANCE LTD., 182 Birchfield Road East, Northampton NN3 2HG. Telephone 0604 714830.

INVESTMENT OPPORTUNITY

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FINANCIAL TIMES SURVEY

Tuesday March 30 1976

Spanish Banking and Finance

The rigidity of the Spanish banking system and its wide degree of control of industry has often been criticised. As the country emerges from the trauma of recession, much will depend on the regime of King Juan Carlos and on the steps that are taken to restore democracy in Spain.

Many questions be answered

Roger Matthews

1 Correspondent

DEEPER implications of the Franco regime's government of King Juan Carlos to introduce a form of democracy, and the wish of ministers to take the country into the Common Market at the least possible delay of paramount importance to the economy and to the financial and banking systems. With so much at stake, the political struggle, understandable that neither side nor the regime have led too much time to sub-which while critical to the future, appear second-ly importance to elected governments, the right to strike, systems and the right left ideological battle. In the case of Portugal, be the politicians' atti- to economic management a financial organisation of unity that may ultimately whether Spain continues progress it has made in 3 years towards becoming

a major West European industrial power or whether internal divisions and textbook stagnation induce a period of stagnation that will both radicalise political attitudes and once again widen the gap with the rest of Europe.

From the point of view of the economy General Franco could not have died at a worse moment. Had he stepped down during the late 1960s or, say, in early 1973 when the economy was booming, the country's political difficulties would at least have been tempered by a still steadily rising standard of living. However, Spain is now deeply enmeshed in the worst recession for nearly 20 years, and the climb out is necessarily going to be delayed by political factors. If within the next 18 months the democratic alternative is actually achieved then a number of searching questions are going to be asked about the greater equality of income and opportunity which may eventually put the economy on a sounder footing but in the short-term can but increase the economic difficulties.

Expansion

Since General Franco gave the go-ahead for the great economic expansion in the late 1950s by opening the doors to an eventual flood of foreign capital, the financial structures have to an extent served the country adequately. But progress was tied to a cheap, plentiful and disciplined labour force and wholesale protection from the forces of a market economy such as are practised in Spain's main trading partners.

The banks, for example, have been permitted to exercise a disproportionate degree of influence on industry, while in their turn they have been subject, not always unwillingly, both to highly interventionist regime policies and to remarkable freedom to make profits.

There is no accurate figure of the degree of banking control over industry, although it is often stated that through direct and indirect means it is in the region of 40 to 50 per cent. This can range from majority ownership to the exercise of voting proxies through shares lodged at a particular bank, but there is no doubt that an impressive part of the major banks' annual profits are derived from industrial as opposed to simple banking activities. At a time of liquidity problems or more generalised recession, it is similarly not banking criteria that necessarily dictate a bank's lending policy but the fact that customers which are simultaneously subsidiaries or at least "affiliates" are serviced first whatever more objective assessments would suggest. Until recently that has not been seen as a particular handicap to the system mainly because the economy was growing so vigorously. Now, with Spain for the next couple of years urgently needing substantial foreign loans, it might be seen as a positive handicap to a more rational reassessment of industrial strengths and future expansion patterns. It is also debatable that so much direct banking control of industry is advisable when far-reaching decisions need to be taken that

tend to be outside the competence of very limited corporate departments of many banks.

The main banks may equally argue, of course, that a substantial part of their funds is creamed off by the central authorities and re-lent via official credit agencies to areas which the Government particularly wishes to support. The level of competence of these official "banks" is also open to discussion, and a case can be made to show what the more alert and modern of the major banks now have a corporate finance division that is at least as able as any Government agency. Arguments over the channelling of private savings has an added potency in Spain due to the previous unwillingness, or political inability, of Franco Governments to develop a taxation system that could more adequately fuel the needs of the public sector.

Reforms

Once again a new incumbent at the head of the Finance Ministry, Señor Juan Villar Mir, has pledged wholesale tax reforms and a blitz on fiscal fraud, but until he has the moral authority of an elected parliament behind him or the force of a determined dictatorship there is no reason to suspect he will be any more successful than his predecessors. He would also first have to construct a machinery capable of tax collection and somehow introduce a change of morality in Spain, where the payment of taxation is still very much regarded as a game which the

Government expects to lose.

There are certainly opportunities for introducing radical changes in the system of indirect taxation and laying a far heavier weight on luxury goods, which, apart from areas where protection from foreign producers is the primary aim, is often very low. Although some multinational companies claim that corporation tax and its equivalents are not so mild as popularly believed, the Spanish bank, accept almost without question the need to keep two or more sets of books in operation at once. In the case of the banks there is even some evidence to suggest that the Government this year is actively participating in disguising the true level of profitability for fear of the political consequences. Such attitudes spread throughout the capital market, so that fear of disclosure affects a variety of judgments. A company that might otherwise decide to seek a quotation on the stock exchange is frightened off by what are by British standards quite minimal disclosure levels and even sometimes by the anxiety that even part public ownership can result in eventual loss of fund management... control. These have been partially responsible for the fact that the three Spanish exchanges in Madrid, Barcelona and Bilbao, do not act as the important source of long-term industrial capital that might be expected from a country looking forward to still more substantial growth.

Mutual funds and closed-end investment trusts have to an

extent served to bring the possibilities of stock exchange investment home to more members of the middle class, but "over-optimism" on the part of some managers a few years ago led to Bank of Spain intervention and a loss of public confidence that is only slowly being won back. Because of the relative thinness of the market and the variety of regulations that affect dealings, the stock exchanges are also highly vulnerable to manipulation which in the last days of General Franco had distinct political undertones. In such a climate it is perhaps understandable that among some investors there is a tendency to look on the stock exchanges as glorified casinos in which a rapid capital gain is the primary objective. The fact that a rights issue often forms a principal part of the annual dividend, and is seen to fulfil this role, naturally increases the possibilities for such in-and-out operations. The relative absence of underwriting facilities is a further handicap, although some banks are slowly gearing themselves up to undertake more of this type of operation. If there is a new climate of modernisation inherent in the highly tentative moves towards a more democratic system, it could be that, provided business confidence is not too severely dented, the stock exchanges will begin to realise more forcefully the potential they have as a source of long-term capital.

One asset here would be the development of the insurance industry and its emergence as a major institutional investor.

But the idea of the family as the best form of insurance is still deeply entrenched, and all too few businesses and industries operate the sort of schemes found in Common Market countries. The Spanish executive is only marginally smaller the paid extremely well by British standards and keeps a far higher proportion of his salary, but at the same time neither the State nor the employer expects to make much in the way of provision for his future. With many people's levels of disposable income now hit both by inflation and the recession, and a mood of anxiety hanging over many industrialists, the immediate future is also more likely to be marked by retrenchment than by experiment with what are essentially longer-term projects.

Pressure

This is also evident in the field of industrial investment, where, despite exhortations by Government ministers, last year's 10 per cent. fall-off shows every sign of continuing and may perhaps deepen if more serious political strife breaks out. Although the banks have not reported any serious liquidity problems in the past few months, mounting pressure for funds can be expected if the Government's borrowing requirement goes on rising as a result of its efforts to contain unemployment and the banks themselves find affiliated companies struggling to stay afloat.

The performance of the tourist industry this year and news was permitted, and prob-

CONTINUED ON NEXT PAGE

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Balance Sheet Before Profit Allocation

(December 31 (th) 1975)

ASSETS	Dollars*
CASH AND DUE FROM BANKS	607,806,000
INVESTMENTS (BOND & SECURITIES)	560,668,000
LOANS AND DISCOUNTS	2,997,531,000
CUSTOMERS LIABILITY FOR ACCEPTANCES	342,867,000
BANK PREMISES AND EQUIPMENT	71,895,000
SUNDRY ACCOUNTS AND OTHER ASSETS	409,339,000
TOTAL ASSETS	4,990,106,000
LIABILITIES	Dollars*
TOTAL DEPOSITS	3,461,766,000
ACCEPTANCES OUTSTANDING	342,867,000
DUE TO BANKS	520,566,000
OTHER LIABILITIES	369,184,000
CAPITAL	148,310,000
RESERVES	127,413,000
TOTAL LIABILITIES	4,990,106,000

*U.S. \$ 1.00 = peseta 166.64

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" 1975	1.060.	

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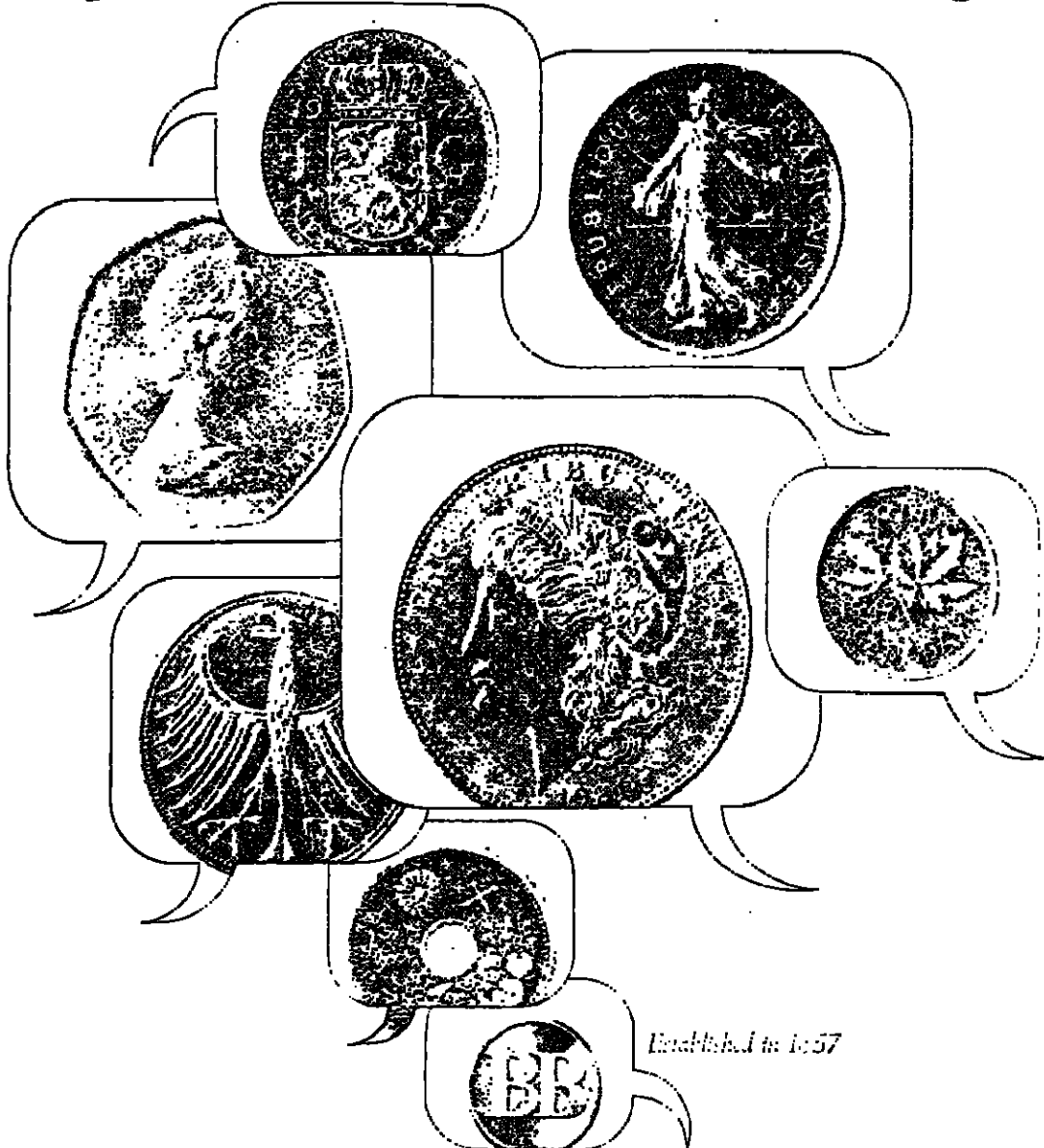
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SPANISH BANKING AND FINANCE II

Paying for lack of economic planning

SPAIN entered 1976 not just
with serious short and medium-
term economic problems, but
with more basic questions
having to be asked about the
structure of the economy and
the cost that may have to be
paid for 15 years of rapid but
relatively unplanned growth.

Between 1959 and 1973 the
economy advanced at an annual
average rate of 7.3 per cent,
which was nearly double that of
the members of the European
Community. It seemed at least
to have solved—temporarily—the
previous persistent balance
of payments deficits, was able
to export domestic unemployment,
shifted increasingly from an
agriculture-based economy to
one with a strong industrial
arm, and at the same time
brought very unevenly distrib-
uted but nevertheless signifi-
cant increases in the standard
of living of the bulk of the
population. It was an
achievement to be measured in
both political and economic
terms and one that undoubtedly
helped to sustain the rule of
General Francisco Franco.

The Middle East war in the
autumn of 1973 came at a
critical moment for Spain and
the consequent substantial rises
in the price of crude oil had
a more critical effect on the
performance of the Spanish
economy than perhaps on that
of any other Western European
country.

Coupled with the general
downturn in world trade, which
also damaged the valuable
tourist industry, the country
ended 1974 with a current
account deficit of \$3.5bn. This
reflected not just Spain's heavy
reliance on imported oil as a
primary source of energy but
also the Government's political
reluctance to take the sort of
measures adopted by other
nations. Little effort was made
to trim oil consumption and
industrial production did not
until the last quarter begin to
reflect the economic resistance
found in principal export mar-
kets and the weakening of home
demand.

Thus a growth rate of 4.4
per cent was achieved although
stock-piling was becoming more
widespread and went on well
into last year. As a result the
world recession did not pene-
trate Spain forcibly until at
least 12 months after it had hit
many countries and there is
every reason to believe that
recovery will be similarly de-
layed, even without taking into
account vital political factors.

Provisional figures indicate
a real growth in GNP last year
of 0.8 per cent, with the agri-
cultural sector, boosted by a
good harvest, partly compensat-
ing for a decline in industrial
output of about 3 per cent. Yet
on revision it may be that the
1975 growth rate will be even
nearer zero, with current
projections scarcely more
optimistic for the current year.

Performance

On taking office in December
as the first Finance Minister of
the post-Franco era, Sr. Juan
Villar Mir immediately began
letting the public know exactly
what he thought about the
economic performance of the
country. Spain, he declared,
had not been working enough,
was importing too much, con-
suming too excess, and the
labour force had been overpaid.
However, solutions were at hand
and provided everyone pulled
together there was no reason
why the rate of inflation should
not diminish further during
1976. Up to \$1bn. could be
trimmed from the balance of
payments deficit, and at the
same time real progress could
be made towards a return to the
growth rates of the early 1970s.
The Minister thought that 4 per
cent, would be possible for this
year.

Even at that point, however,
the Minister was not fully aware
of the deterioration in the
balance of payments. Provi-
sional figures, just released,
show that despite the decline in
industrial activity during 1975
the deficit reached almost
\$3.5bn, some \$200m. worse than
the preceding year. Although
exports grew by about 7 per
cent, as compared with imports
at 5 per cent, the trade gap was
still a huge \$7.3bn.

The extent of Spain's
economic problems is amply
demonstrated by the fact that
exports pay for only a fraction
over half the country's imports,
part of the resulting deficit
being offset by tourism earnings,
remittances from Spanish
workers abroad and capital
inflows.

The assistance that the three
main elements of the "in-
visible" sector can give in try-
ing to bring the balance of
payments back into equilibrium
is strictly limited. Last year's
30m. visitors to Spain (of whom
roughly 80 per cent can be con-
sidered as tourists) brought in
about \$3.4bn, which represented

no real rise in earnings, and
the indications for this year are
that at the best the situation
will remain roughly static.

The industry is already over-
supplied with hotels and apart-
ments at the lower end of the
market and it may be that 1973,
with its 34.6m. visitors, repre-
sented the peak of achievement.
The net balance on tourism
should also hold at much the
same level as the economic
downturn will affect the number
of Spaniards holidaying abroad.
Unemployment in Western
Europe, and particularly in
France and Western Germany,
has also brought to a halt the
previous steady increase of
money transfers from abroad,
largely originating from the
emigrant labour force. The
\$1.164bn. that was sent to Spain
in 1974 dropped marginally to
\$1.145bn. last year as tens of
thousands of workers returned
to their homes in search of work.
Estimates for 1976 expect a
further fall, perhaps to below
\$1bn.

Idea

A similar question mark hangs
over the declining flow of long-
term foreign capital as multi-
national companies, like their
Spanish counterparts, delay
investment decisions because of
the overall economic position
and more pertinently to get a
better idea of political develop-
ments inside Spain.

Thus the scope for improving
invisible earnings is almost nil
in the short term, while the fear
always exists that any further
recurrence of street violence
could frighten away would-be
tourists to other hotly compet-
ing countries. The improvement
in the W. German economy and
signs of similar trends in
France might stem the flow of
workers back to Spain, but it
cannot be expected to produce
any marked increase in remit-
tances during the rest of this
year.

The entire burden therefore
must fall on exporters and their
ability to get a greater share
of overseas markets while extra
efforts are made to substitute
domestic production for imports
where possible and limit the
purchase of luxury goods. How-
ever, an examination of the
country's imports shows just
how little room for manoeuvre
there is with an important part
of the total bill being taken up
with crude oil and items such
as animal feedstuffs.

Spain has relatively few raw
materials and successive hopes
of oil discoveries have so far
come to nothing. Particularly
worrying is that so far the im-
port bill has scarcely reacted to
the fall in industrial activity
and although the Finance
Ministry is proposing several
measures to stem the purchase
of luxury items this will hardly
do more than scratch the sur-
face of the problem.

Aid is also being channelled
towards the main exporting
industries, some of which have
found themselves severely hit
by the world recession. The
shipbuilding industry is one of
the best examples. Having been
encouraged to grow rapidly
during the late 1960s and early
1970s, until Spain reached No. 4
in the world shipbuilding
league, it is now suffering
badly with some companies
having reached a state of
technical bankruptcy some
months ago.

The overall structure of
Spanish-manufactured exports
is also such that recovery is
vitaly dependent on a full-
scale reactivation in the U.S.
and Western Europe. Spain
produces too few domestically
designed and generated goods
of reasonable sophistication and
is still a long way from cap-
turing, for example, the sort of
market shares the Italians have
managed in refrigerators and
washing machines. Car exports
are also disappointingly low,
although when the Ford plant
near Valencia comes on stream
in the autumn this should help
to improve the picture.

All too few economists and
industrialists seem confident
that an export-led recovery will
begin to show itself this year
and that meanwhile some way
has to be found of financing
the substantial deficit. Gold and
convertible currency reserves
appear tolerably healthy at
nearly \$6bn, but no one is quite
sure how much of that sum is
actually earning money for the
country.

On February 9 the Finance
Minister abruptly decided to
readjust that value of the
peseta against the dollar by just
over 10 per cent, in the hope
that this effective devaluation
would give Spanish exports the
competitive edge they needed
in world markets. Within a
month however his political
inexperience at home and the
turmoil in international
currency markets seemed
largely to have undone the
benefits he had hoped for.

Whatever the pros and cons
of devaluing the peseta at that
point it was vital to follow up

immediately with a package of
measures designed to give the
maximum encouragement to
exports. Yet Ministers could
not initially agree, the Cabinet
inevitably squabbled in the
absence of a Prime Minister who,
through his own knowledge of
political and economic issues,
could resolve the argument, and
now the Cortes seems fully pre-
pared to send the package back
to the Government for recon-
sideration.

Unemployment

Meanwhile, the devaluation
had an immediate effect on the
rate of domestic inflation,
already running far higher than
among most of Spain's principal
competitors. Officially the cost
of living index rose by 14.1 per
cent, last year, nearly 4 per
cent down on the preceding 12
months, but even in official
figures it is admitted that the
"shopping basket" is now very
much out of date and that at
least 4 per cent should be added
and perhaps more. As the
Finance Minister has said, this
inflation is now substantially
generated internally, unlike the
situation in 1974, and must be
brought under control if
Spanish goods are not to be
priced out of international
markets.

But inflation also has to be
tightly controlled because of the
effect it has on an already very
difficult labour situation. Sr.
Villar Mir, with his remarks
about the labour force having
been "overpaid" and his subse-
quent determination to try to
hold wage rises to the official
cost of living index plus two
per cent, has become one of
the principal Aunt Sallys of the
Spanish Left. If a "social pact"
is the only long-term way out of
the problem then it seems cer-
tain that one of the people not
participating will be Sr. Villar
Mir.

The strikes that have plagued
Spain since the beginning of the
year and, according to some
employers' leaders, have already
cost the country three times as
many man-hours as were lost
in the whole of 1975, undoubt-
edly have a strong economic
basis that is naturally fuelled
by the refusal of the regime to
permit the right of free trade
unions. It is debatable whether
labour peace could be bought
now without paying an ex-
tremely high price, although
there is some evidence to show
that this is precisely what has
been happening in some sectors
where the wages policy of the
regime has been blatantly
breached. The Government has
had only the same limited suc-
cess in its professed efforts to
control price rises and has
certainly failed to convince the
public of its determination.

Meanwhile, unemployment is
rising and, according to un-
published semi-official estimates,
is over 5 per cent of the 13.5m.
workforce. Under-employment
accounts for another important
percentage, especially in agri-
culture, while there has been a
sharp reduction in the level of
"pluriempleo"—that is, the
number of people who manage
to hold down two jobs.

Add to this the changing
social structure of the country,
which is encouraging more
women to look for jobs, the
return of emigrants from
abroad, the almost total cessa-

tion of exported unem-
ployed, the necessity of me-
chanising ag-
riculture and the
shake-out of labour if
the industry is to
come clear, why some
Ministers are forecasting
needs to create up to
10 jobs in the next five
years.

For the immediate
Government is trying
to create unemployment,
in those areas of the
where it is particu-
larly pronounced, by financ-
ing public works and not
just and by increas-
ing the amount of official
unemployment, but also
available to those who
are in need. The prob-
lem is that these
urgently needed to
flagging investment,
utilised merely to
employment levels is
sometimes patently
"duck" companies.

Naturally there is
from parts of indus-
try and Government to
initially a policy
the inflationary danger
a move are all to be
taken to be taken in
of other Western coun-
tries, the regime is
maintain some form
aware that if it does
recession could de-
further and push on-
er to levels that would
politically and cause
bankruptcies among
that are so far just
to keep their heads ab-

Strikes

The strikes that
especially the Madrid
belt during January
initially have been
ing for many compan-
high level of stocks,
try sources say that
serious widespread
serious effect on
sectors and hit busi-
nesses just when it was
the first glimmers of

Whereas optimists
ing of positive signs o-
during the latter part
second quarter, this
been postponed to
quarter of the year. F-
really expected much
covery before then a
cause of Spain's rela-
entry into the re-
phase. This would
indicate continuing in-
sions among a work-
force for a decade and a
been used to belt-
exercises. Hopefully it
breached. The Government has
sisted its actions will r-

The regime there-
fore, to have decided to r-
hopes, on swift a-
recoveries in the eco-
nomy, its main trading part-
ners, the U.S. and
members of the
Market. To this end
looking to finance its
balance of payments d-
further foreign.
aware that any othe-
corrective measures
could have serious
political consequen-
ces, nearly \$8bn. its foreign
reserves sharply in
months but is still v-
the level of son
industrialised nations.

Questions

CONTINUED FROM PREVIOUS PAGE

ably officially encouraged, to
state night after night that the
peseta was riding above the
chaos and its parity unchanged,
with what success, then? When
in February it was and bank-
ing organisations to a more
most other currencies by just
over 10 per cent, this was pre-
sented as an inevitable reaction
to the peseta's persistent re-
turns against the basti-
valuation during the previous
18 months. While such official
propaganda is not unusual, it
does serve to emphasise the
very real difficulties future
governments in Spain will have
if one day EEC membership
does appear to be available. But
perhaps by then the chronic
balance of payments difficulties
will be near to solution and the
peseta no longer one of the
Europe's weaker currencies.

Unlike Greece which is to an
extent able to present the
Common Market members with
a kind of ultimatum—"them
the colonels waiting in the
wings to stage another coup, or
us" with our imperfect but
genuine democratic attempts—
the present Spanish Govern-
ment will not be permitted such
an option. In Spain's case the
FEC attitude is that the demo-
cratic goods should be delivered
as a precondition of entry
While all genuine Spanish
democrats would agree with
such a stance there is little
doubt that in order to achieve
such an end a great deal of
Common Market support and far
more encouragement will be re-
quired, situation at home.

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Slow progress in bank reform

It is only to be expected that of Spain's major cities will appear to be dominated by bank buildings. There are, after all, over 110 commercial banks operating in the country. In the past 20 years it has been one of the most rewarding and expansive business areas of the country. Despite the regime's tougher and tougher economic qualifications for those individuals and groups wishing to enter the field, it is only that there has been any fall-off in aspirants. At the same time there has been a remarkable concentration of power. During the past century five banks alone had over 100 of their branches, and the situation has not been reached, where the central bank controls 70 per cent of deposits in the commercial banking sector.

As has led to other peculiarities of Spanish banking which have been exaggerated by the boom that stretched from the late 1950s to the beginning of last year. It involved the banks becoming increasingly involved in not just the shipping of large industrial firms. This has in turn led to the operational part of many banks, some of which now rely as much on participation in industrial activities as they do on more banking activities.

BANCO POPULAR ESPAÑOL IN 1975*			
	1975	1974	+%
Earnings	1,835	1,565	+17.2
Adjusted Reserves per Share (Pesetas)	169.94	133.14	+17.6
Dividend per Share	63.05	54.89	+14.9
Yield (%)			
on total funds (deposits plus equity)	1.06	1.06	
on market price of shares	14.85	14.85	
on dividends (Pesetas)	3.500	3.155	+10.9
on Shares (%)	1.50	1.44	
Earning Ratio	20.6	24.3	
Y at year end			
Capital	6,077	5,355	+13.5
Reserves	11,226	8,574	+30.8
Equity	17,303	11,929	+45.1
Equity	12,359	10,537	+17.3
Deposits at Year End	144,504	128,696	+12.3
Deposits	6,677	7,148	-6.6
Foreign Currency Deposits	17,681	14,066	+25.7
Deposits	168,823	149,910	+12.6
Deposits per Branch	628	600	+4.7
Deposits per Employee	19.71	18.32	+7.6
Loans and Discounts	132,564	119,028	+11.4
Loans and Discounts	21,000	20,768	+1.1
Foreign Currency Loans and Discounts	10,518	5,599	+87.9
Loans and Discounts	164,052	145,395	+12.8
Loans and Discounts	610	582	+4.8
Investment (%)			
Invested Notes	17.0	14.8	
Invested	48.1	33.5	
Invested by Customers	62,133	49,136	+26.5
Invested at year end (number)	8,566	8,183	+4.7
Employees for year	8,377	8,061	+3.9
Employees (number)	1,824,089	1,696,746	+7.5
Employees (number)	92,652	76,568	+21.0
Employees (number)	257	236	+9.3
Employees	12	14	-14.3
Employees	269	250	+7.6

* Figures relate to consolidated data including Banco de Negocios and are in millions of Pesetas unless indicated.

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both by Government action and by the passive nature of most managements which were, and in some cases still are, content to sit back and enjoy the easily accrued benefits. Interest rates, for both depositors and borrowers, have historically been fixed by the Bank of Spain in relation to the discount rate, although after one false start the freeing of rates for periods of over two years seems to have been established. This has not stopped some banks offering illegally high rates for deposits during liquidity squeezes or from charging borrowers similarly adjusted rates.

This type of operation, described locally as "extratipo," takes several different forms and is well understood by the authorities, who have done little to put an end to it. Those bankers who might favour less restriction on interest rate control sometimes argue that it has in fact allowed a degree of flexibility where none previously existed. In the same way, during really force liquidity squeezes the so-called "financieras" tend to spring up and proliferate, some of which are little more than banking agents charging rates substantially above the legal limit for those customers in dire need.

The Spanish banks have also been sheltered from foreign competition, although there are some doubts about how much longer this situation can continue. Apart from the four foreign banks that were established in Spain before the Civil War, there has only been one addition, the Banco Árabe-Español, which was formed recently in order to take advantage of Arab oil producing funds that were looking for a home. Permission for this bank to set up by-passed existing legislation via a ministerial decree, and there are persistent rumours that a major American bank may soon be accorded the same treatment.

The threat of such developments to Spanish banks is not that the foreign intruders will compete for funds inside the country — legislation strictly limits the number of branches they can open — but that they will win the business of an increasing part of the multi-national companies working in

Growing

However, competition among the banks is growing marginally as younger and more widely experienced executives make their way to the higher echelons. The growth of unit trusts and other forms of portfolio investment in the stock exchanges have awakened the banks to such profitable possibilities, especially as they often have substantial numbers of equities lodged with them apparently for no other purpose than safe keeping. Those banks which had already developed such a service for customers have been followed belatedly by others, who have on occasion purchased a ready-made and successful independent operation. But it is still not altogether certain that it is the customers who will benefit. Some banking sources stress that these small but independent groups offered the customer unbiased advice and could only survive on the proven success of their investment policy. The large banks, on the other hand, may find independent judgments rather more difficult to maintain, given their own participation in the Stock Exchange and that of their affiliated industrial companies. In a market so relatively easily manipulated the temptations are all too obvious.

Far more vigorous competition is now seen in the battle for funds, which rather than being waged on the services available for customers takes the form of who can open the largest number of branches. This is particularly relevant on two scores: first, the continuing race between the big few to see who stands exactly where in the deposits league table and, second, the struggle against the savings banks which have been steadily encroaching on the levels of savings deposited in the banks. In August, 1974 the previous legislation, which carefully controlled the number of new banking branches that could be opened, was relaxed, primarily it was said at the time to give better growth opportunities for the smaller organisations based primarily in provincial areas. This, however, led to a veritable explosion of new branches, with many of the big banks leading the way. At the end of 1948 there were 2,157 banking offices in Spain, and for the next 13 years this number increased by an average of 44 a year. This level of growth speeded up to an average of 190 a year during the period from 1962 to 1971, by which time the total had reached 4,437. In 1972, 1973 and 1974 the yearly growth rate was 362. But during last year the expansion was phenomenal with 1,965 new banking outlets being opened, five times as many as in any previous year.

The overall cost to the banking fraternity was not insignificant, and there have been many who criticised this development as being neither beneficial to the banks involved nor to the shareholders. The savings banks, whose deposits have largely to be invested at the wish of the Government, were even less pleased with the aggression of the commercial banks, against whom they already felt heavily discriminated. Indeed the situation has now been reached where the commercial banks have over 500 more branches than the savings banks, whereas in mid-1974 the savings banks were themselves ahead by over 1,000 branches. This was achieved by delaying the application of the law liberalising new branches by six months in respect of the savings banks.

The whole question of the savings banks is rapidly becoming a highly charged political question and will develop further if positive steps towards a democracy are achieved. At the end of last year total savings banks deposits stood at Ptas.1,537bn, as against the



Banco de Vizcaya's office in Bilbao.

commercial banks' Ptas.3,263bn. Leaving aside the relatively tiny Postal Savings Bank, this gave the unified savings banks 31.31 per cent, of the total, compared with the commercial banks' 66.89 per cent. This has to be seen against the related figures for 1966 or 28.28 per cent, and 69.50 per cent, and emphasises the slow but steady progress made by the savings banks.

Such progress is surprising if the extremely low interest rates offered by the savings banks are taken into consideration, especially during a period when inflation has been running in excess of 15 per cent, a year. This, of course, is not the fault of the savings banks, some of whose managers claim that because they are obliged to invest a large part of their deposits at preferentially low rates according to the overall scheme of the Government, their own operating margins are being heavily squeezed. Additionally, they say it is an absurd situation when their funds, mainly drawn from the less well-off members of the rural population, are then re-lent at well below market rates to companies that are in fact owned by their main competitors, the commercial banks.

At this point the regional issue, ever close to the surface, becomes involved. Spain's largest savings banks are based in Catalonia, and so regionalists claim, have been used to transfer capital from that area to other parts of the country and especially to develop the industrial belt around Madrid. As if that was not bad enough from their point of view, the Catalan investors have also been paid a pittance for the use of their funds. However, commercial banking is making a comeback in Catalonia, which for a variety of reasons, some political, has never quite seemed able to compete with the far more prominent basques.

Thus the all Catalan-speaking Banca Catalana has been seen to make large strides in the past few years, with its strong, almost exclusive, regional bias. Other banks in the area have also been attracting a growing level of deposits and tacitly appealing to Catalan companies to maintain the flow of cash within the region, avoiding as far as possible the interference of central Government. Such attempts are still limited by the Government, which has just increased to the legal limit of 25 per cent, the level of deposits which are subject to overall official control. Thus, according to the regime, has been made necessary because of the nation's economic problems and in particular the desire to offer more cheap official credit to those companies that might be able to assist in an export-led recovery. The savings banks suffered similarly but with a 4 per cent. increase instead of the 2 per cent. which was applied to the commercial banks.

Any change in the political direction of the country is obviously going to be reflected in attitudes towards the entire banking sector, with the left wing certain to be specially vociferous. However, reform, if and when it comes, will necessarily be difficult because of the entrenched nature of the system as it operates to-day and due to the serious problems faced by the economy. It will need both tact and time.

R.M.

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Richard Ellis

SPANISH BANKING AND FINANCE IV



Left: The Madrid Stock Exchange. Right: The trading floor of the Exchange.

Stock market still has its limitations

OVER THE past ten years the Spanish capital market has made very considerable strides, both from the technical standpoint and in trading volume. This development has been increasing and progressive, 1972 and 1973 being key years.

From the technical angle, of particular importance is the appearance of new investment instruments hitherto practically unknown on the Spanish market. The impulse of closed end funds and the creation of unit trusts as well as the proliferation of professional services, have made this sector of the economy progressively more competitive and realistic.

The market has broadened very considerably in recent years, and has greatly increased its capacity to finance the Spanish economy. This can be seen in the development of trading volume (Table 2) and the increase in the number of quoted companies, which rose from 78 in 1964 to 547 in 1975. Despite this, the Spanish stock market is still limited in volume. The total capitalisation of the market is \$24bn., compared with \$41bn. for W. Germany, \$122bn. for the U.K. and \$780bn. for the U.S. This

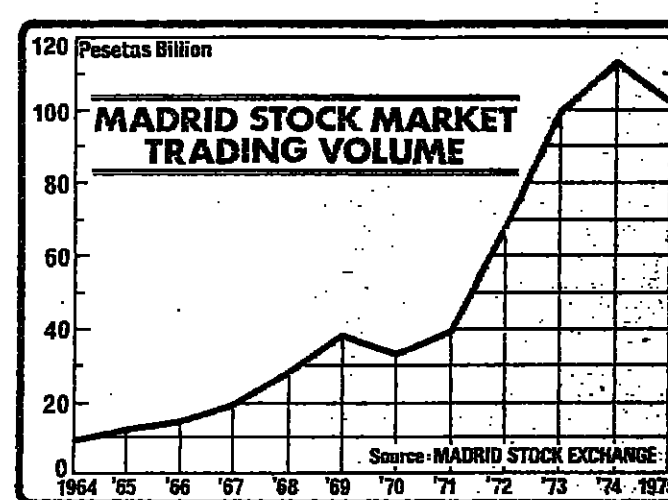
is due fundamentally to a lack of variety in the securities offered rather than a lack of demand.

With regard to the primary market, however, the shares sector is fairly developed in absolute and relative terms. Large companies have increasingly turned to this form of financing, partly because of the underdevelopment of the debenture market. Issues of shares have grown in 1964-1975 at a slightly faster rate than the GNP.

The debenture market is much narrower than in other countries, basically because of the limited attraction of the interest rate (around 9 per cent. gross) in a country like Spain with high inflation, and also because of the taxes paid on interest which reduces the net yield considerably. As a result, simple debentures have to be placed with certain types of institutional investors such as savings banks, insurance companies and official pension schemes. Given the low return, the number of issues of convertible debentures has gone up a great deal in recent years: convertible issues accounted for 26 per cent. of total issues of debentures in 1962 and 53 per cent. in 1975. Companies have attempted to make these issues much more attractive than classic issues.

The primary market, both shares and debentures, is characterised by a heavy concentration in few sectors and large companies, which take up most of the market, so that there is very little possibility of diversification. The secondary market follows a similar pattern, with few companies quoted and limited trading. This applies to the Madrid as well as to the Barcelona and Bilbao stock markets.

Despite the considerable increase in the number of quoted companies, the market would benefit if this trend were reinforced. Only 165 out of the 500 largest companies in Spain are officially quoted. The number of stocks quoted on the London stock market is 8,600 and on the New York Stock Exchange 1,900, while 547 companies are listed on the different Spanish exchanges. This is not the only problem, since unless quotations are active and large parcels of stock change hands on the market rather than outside it, nothing is gained. Trading is still very limited, and was only 4.7 per cent. of total market capitalisation in 1974.



This lack of liquidity results in heavy fluctuations in prices, particularly because of increased institutional buying and selling. The Spanish market can only be described as inflationary and prices increased at a high rate from 1964 to 1974 (see Table 1). This means that price/earnings ratios are high in comparison with other countries: the average for commercial banks is 30.7, with 24.2 for chemicals and 17.1 for electricals. The present market crisis has naturally resulted in downward price trends and p/e ratios are settling at lower and more realistic levels.

The narrowness of the market is of course a characteristic of most of the EEC countries, and the difficulty of carrying out

Costs

Spanish companies as a rule generate internal finance at a relatively low level, given the heavy investments carried out in recent years and the low profit margins caused by rising costs. As a result, they are obliged to bridge the gap with external finance. The capital market can help to solve this problem and costs of funds

obtained in this normally lower, unprofitable. Legal advantages for quoted companies.

However, the frequent financial structure of companies makes them didates for stock market investors being wary of them. Apart from having sufficient dividend to maintain active trading, profits at the present frequently offer little to the investing public. Problems are also given the general stagnation of Spanish profits, although in the long run advantages to be will outweigh the payment of back taxes.

The Spanish stock market naturally suffering from political and economic uncertainties at the moment. Recent history of guidance to the action of political and economic uncertainty generally felt that signs of economic improvement, although still some distance from a real up-turn will be.

If the outcome of tensions is positive, it doubt that the stock market will benefit. The Spanish still offers very good growth potential, a widely expected that will be reflected in market prices and Angel Lasuncio



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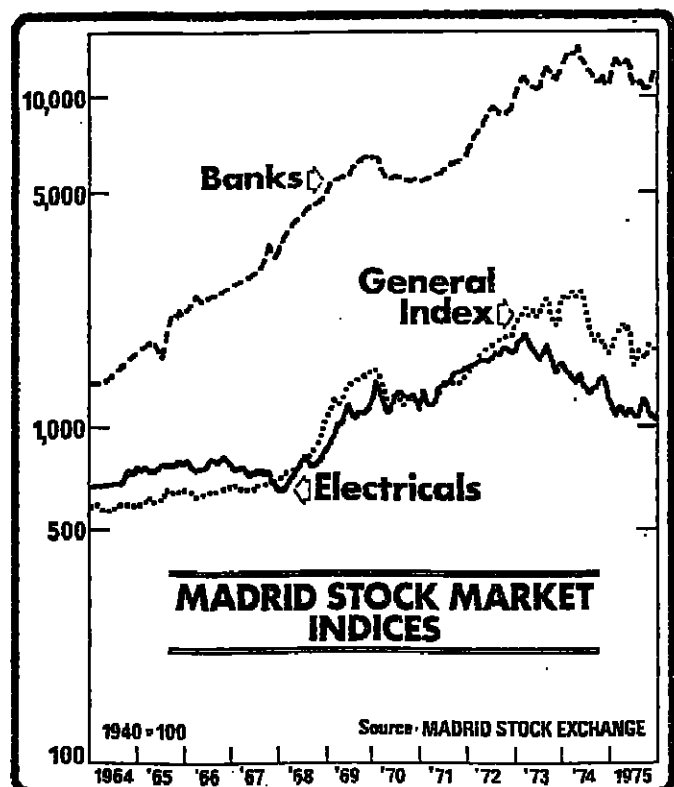
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Importance of foreign capital

THE YEAR 1969 was an important one for the Spanish economy. In that year an external economic liberalisation programme was introduced which has been much more significant for future economic growth than the three subsequent economic development plans. The 1969 policy consisted principally of a liberalisation of foreign trade, which brought an end to the 20 years of economic autarchy initiated immediately after the Civil War.

Included in the "policy package" of 1969 was a liberal law on foreign investment. This is not the place for a detailed analysis, but it is worth recalling that, with some exceptions, if the investment involved less than 50 per cent. of the corporation capital, no authorisation by the administration was needed, and higher percentages were authorised with a liberal attitude being taken in general. There is also freedom for disinvestment, profit repatriation, etc.

Spanish growth and profit opportunities, the external possibilities for investment by the OECD countries, the liberal legislation, political stability and comparatively low wages and taxes were the main reasons, in the opinion of investors, for the rapid growth of foreign capital in Spain since 1969.

Deficit

Foreign capital has been an important item in the Spanish balance of payments. In a simplified way, the main features of the balance of payments have been an increasingly important trade deficit, matched by income from tourism, emigrant remittances and foreign capital. The stock of foreign capital before 1969 was not large and the flows were comparatively important. This is an ideal situation for the balance of payments, which can be seen through a simplified example by taking a country with zero stock of foreign capital, which begins to receive every year 100 units of net foreign capital (disinvestment subtracted). That capital obtains 10 per cent. of net profit.

Simplifying further, let us assume that all profits are repatriated and that the profits are received from the first year onwards. In the first year,

there will be an inflow of 100 in the capital balance and an outflow of 10 through the balance of services. During the following year, the inflow will be similar but the outflow will be 20, since the 10 per cent. profit applies to a stock of 200. The outflows and inflows during the tenth year match each other. This is a very simple example, which brings to light the situation in Spain in 1969. Spain had a comparatively small stock of foreign capital and large flows, a situation which greatly differs from that of some Latin American countries.

Indeed, foreign capital has affected import substitution products and exports, though its marginal propensity to import is greater than the average, and unfortunately its export performance has not been very successful so far.

The accumulated investment authorised by the administration shows that the United States is by far the biggest investor in Spain, and its percentage share is even larger when the fact that part of U.S. funds are channelled through Switzerland is taken into account. The construction of transport material and the chemical industry are by far the most important sectors.

The balance of payments had large surpluses during the early 1970's foreign investment stocks were becoming larger, with possible negative economic effects: and the political influence of a rapidly increasing stock has also to be taken into

consideration. Therefore a more selective policy was initiated in 1973. But the effects of the international crisis, though affecting Spain somewhat late, required a fresh change in policy towards flows of foreign capital.

The most striking factor during the past couple of years has been the huge increase in foreign investment last year compared with 1974. But the main reason for this lies in the Government's approval of the Ford motor factory, which also highlights the tremendous importance of authorised U.S. investment in the transport sector.

The figure for 1975 (Ptas. 28bn.) accounts for a quarter of the total authorised (over 50 per cent. participation) investment during 1969-1974, and a 150 per cent. increase over 1974. An interesting point is that policy has again become less selective in 1975: only 23 projects totalling Ptas. 484m were not accepted, while the figure for 1974 was 45 projects and Ptas. 783m.

Reduction

However, the actual implementation of investment presents a different picture when compared with the authorisation of new capital during 1975. Foreign investment has decreased, especially in the purchase of real estate and in the stock market (which is not surprising, since the Spanish stock market is very depressed and foreign stock

markets are in a better situation). On the other hand, direct investment has experienced a much more moderate reduction.

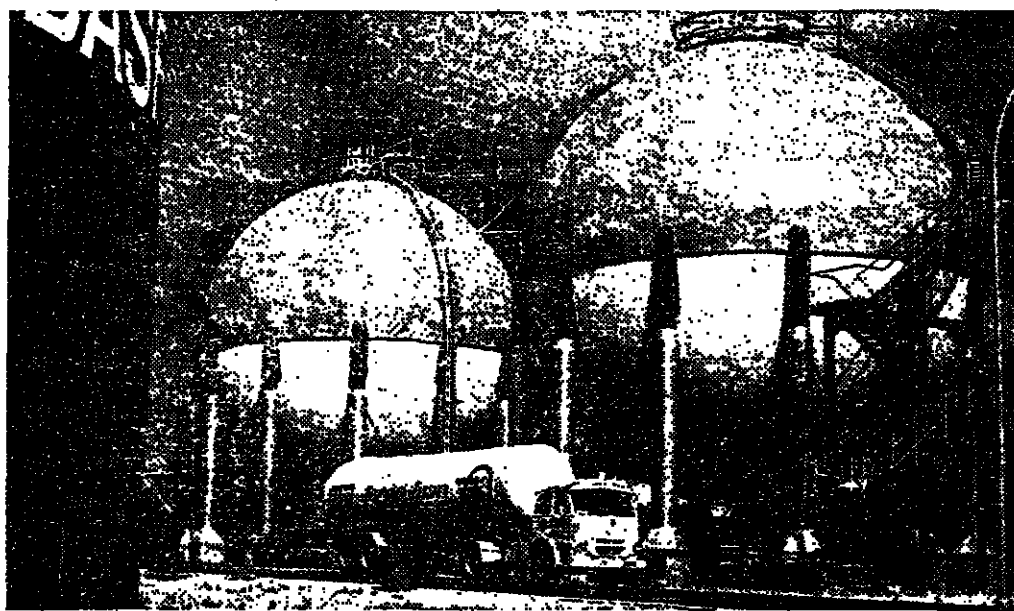
As for future prospects the expected recovery of western economies—at least comparatively—the obvious possibilities for further growth in the Spanish economy and the existence of few other countries as adequate alternatives suggest that Spain will still be an important market for foreign investment.

If the evolution towards democracy is rapid and long lasting, Spain will become more attractive for foreign capital, particularly since that will imply a better negotiating position with the Common Market: Spain could become a good base for exports of both labour-intensive and intermediate industrial products towards the EEC.

A democratic Spain may imply comparatively higher wages and a more progressive fiscal policy, since the internal balance of power will be affected. Nevertheless, the advantages of a democratisation will outweigh the effect of these changes.

Finally it is worth stressing that, whenever the balance of payments improves, a more selective policy should be established in Spain where foreign capital is concerned since the existing stock will have greatly increased and this will affect the social benefit/cost ratios of foreign capital at home.

Luis Gamir



Storage tanks at BASF. Espanola's Tarragona complex.

Seeking fresh markets for unit trusts

ALTHOUGH CLOSED END funds existed in Spain from 1952, it was not until 1964 that regulations were published placing them on a solid legal basis. The minimum size was established at Ptas. 200m., and the composition of the portfolio, with maximum limits on holdings, was laid down.

These instruments have become extremely popular in recent years. In 1966 there were only 65 closed end funds and at present there are no less than 495. In the same period the funds' total assets rose from 2 per cent. of the total market capitalisation to 9 per cent. and their portfolios grew from Ptas. 9bn. in 1966 to Ptas. 23bn. in 1974.

The volume of trading of closed end funds has seen a compound annual growth of 88 per cent. more than twice the growth of the market as a whole. Liquidity is relatively acceptable, but patchy, 42 per cent. of trading volume in 1975.

Observers have frequently been struck by the differences in quotation levels of closed end funds in Spain and elsewhere. It is normal in many countries for funds to quote at a discount on portfolio value, the average level in France being from 30 to 40 per cent., and in the U.K. about 24 per cent. In Spain closed end funds have traditionally quoted at a fairly substantial premium, due to the inflationary character of the stock market. In recent months, however, this trend has been sharply reversed, and quotations are currently heading towards discount position.

The structure of closed end portfolios varies considerably. Many bank-created funds are based on the banks' securities portfolios and are fundamentally an instrument of control. Other funds have been

set up on a freer and more technical basis, with varied portfolios of securities in the most profitable sectors of the economy. There are also a large number of family funds set up for tax reasons, which can take any standpoint between these two positions.

Liquidity

It is unlikely that there will be any further proliferation of this type of instrument, given current liquidity problems and the low dividends distributed. It is far more probable that the trend will be towards regrouping and even the disappearance of some of the existing closed end funds.

Unit trusts have only been a factor on the Spanish stock market for the past 10 years. Legislation permitting their creation was enacted in 1964, and the first three trusts were authorised two years later. Their number reached 24 in 1974 and seems unlikely to increase significantly in the near future.

The minimum legal requirement to set up a unit trust in Spain is Ptas. 1bn. (£7.7m.), and the management company must have a minimum capital of Ptas. 100m., increasing proportionately to the trust's volume. This is a considerable amount for the Spanish capital market, and it is no easy matter to find 1,000 persons willing to subscribe Ptas. 1m., which is equal to the average annual income of seven Spaniards. In other words, 7,000 average Spaniards would have to forego their entire income for a year to set up a new unit trust. Given the present weakness of the stock market, it is highly unlikely that the launching of a new unit trust through public subscription would be likely to prosper.

There are few financial groups, who have not already done so, who are in a position to set up a new unit trust. The result is obvious: an increasing concentration among a limited number of financial groups of the different financial institutions authorised in Spain.

The minimum capital laid down for a management company is also a drawback, since the figure of Ptas. 100m. (£800,000) in no way corresponds to the outlay in manpower, space and data processing needed to run a fund. The financing of this outlay could well come from current income rather than equity.

The first years of the unit trusts' presence on the Spanish stock market were spectacular, with a rapid acceptance by the investing public of this type of vehicle. At the end of 1968 the five funds in existence had a portfolio of Ptas. 33bn., which was 4 per cent. of the total capitalisation of the Madrid stock market. The 1970 crisis resulted in a sharp fall in the portfolio, and as a result unit trusts were obliged by law to maintain a 10 per cent. liquid balance to meet redemptions. Over the next three years there was a steady increase both in the portfolio and in the number of funds.

The present stock market crisis has had the same negative effects on the unit trusts. The impact of this on the stock market has been much less sharp, however, since the trusts no longer represent a really major factor on the market, accounting for only 1.5 per cent. of total market capitalisation in 1974.

By law, unit trusts are limited to a holding of 10 per cent. of their portfolio in one type of share, or 5 per cent. of a com-

pany's capital. Unit trusts can also invest in foreign stocks up to 10 per cent. of their portfolio, provided that this exceeds Ptas. 1bn.

The unit trusts' holdings of bank shares has gone up from 14 per cent. in 1969 to 25 per cent. at the present moment. The electrical sector, the second in popularity, has remained stable at around 13 per cent. Fixed interest securities have fluctuated, logically gaining in importance in difficult years; in 1970, 8.2 per cent. of the trusts' portfolio was in fixed interest securities, and in 1975, 7.3 per cent.

Liquid assets in 1975 were held at about 15 per cent. Despite the varying investment policies of the different trusts, there is a general predominance of banking, electrical and fixed interest securities, with a high level of liquidity.

Difficult

From the market standpoint, most unitholders are middle class investors who find direct stock market investment difficult and who value the professional administration, official control and tax advantages offered by the trusts. Although the first years of the instruments' existence were marred by a certain lack of scrupulousness by some salesmen, which undoubtedly harmed prestige when the crisis came, the number of unitholders has gone steadily up from 125,000 in 1969 to 182,000 in 1975. Average investment however, has slightly decreased.

Management companies are turning to savings plans and similar incentive based programmes in an attempt to open up new markets for unit trusts.

A.L.G.

FOR SPANISH

Mutual fund investment,
Certificates of deposit,
Fixed interest and convertible bond issues,
Private portfolio management,
Systematic investment plans, etc. etc.



servicios financieros, s.a.

Marqués de Valdeiglesias, 6
MADRID, 4 - Tel. 222 47 50

(Please address enquiries to the attention of the Managing Director).

BANCA CATALANA

29 Feb. 1976

Pesetas million

Capital	2,280
Reserves	639
Deposits	42,360

BANCO INDUSTRIAL DE CATALUÑA

29 Feb. 1976

Pesetas million

Capital	2,776
Reserves	1,760
Deposits	36,064

GROUP HEADQUARTERS IN BARCELONA

COMMERCIAL AND INDUSTRIAL
BANKING SERVICES THROUGHOUT SPAIN

FOREIGN REPRESENTATIVE OFFICES:
LONDON, NEW YORK, PARIS

LONDON: 131/133 Cannon Street, EC4N 5BN

Telephone: 01-626 6097. Telex: 8812759

AUTHORISED UNIT TRUSTS

Bridge Trustees Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15	British Life Unit Trusts Ltd. (a/c) 100 Old Broad St. EC2M 1HQ Capital £100,000 Units 1,000,000 Price on March 23, 1976: 1.15 Dividend: 1.50p Next dividend: April 15
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INSURANCE, PROPERTY, BONDS

REGIONAL MARKETS

Region	Index	Change
London	100	+1.5
Edinburgh	100	+1.2
Glasgow	100	+1.0
Belfast	100	+0.8
Cardiff	100	+0.5
Manchester	100	+0.3
Sheffield	100	+0.2
Nottingham	100	+0.1
Leeds	100	+0.1
Birmingham	100	+0.1
Coventry	100	+0.1
Southampton	100	+0.1
Reading	100	+0.1
Wolverhampton	100	+0.1
Blackpool	100	+0.1
Blackburn	100	+0.1
Oldham	100	+0.1
Stockport	100	+0.1
Wigan	100	+0.1
South Shields	100	+0.1
North Shields	100	+0.1
Whitley Bay	100	+0.1
South Shields	100	+0.1
North Shields	100	+0.1
Whitley Bay	100	+0.1

INTERIM STATEMENT

Section of the share prices previously shown under regional headings is below with questions on London, Irish issues, most of which are not listed in London, are shown separately and with prices as on the Irish

Lucas Industries

We are pleased to announce record sales and profits

Interim Results

Six months ended 31 January 1976 1975

£'000 £'000

327,452 289,421

Profit before tax 21,038 13,086

Dividend per Ordinary Share 1-5158p 1-378p

Dividends per Ordinary Share 14-10p 9-46p

Results

Improving performance of your Company continues and we are pleased to announce both record sales and profits.

At £327 million we are 21% higher than last year and before tax at £221 million were 60% higher. All sections of business contributed to the improvement. Our aircraft maintenance business is doing better and the strong demand for engine equipment, both at home and overseas, has more than offset the lower demand of that for cars. The lower rate of inflation in the UK and stable industrial relations have also been factors.

Dividends

Interim Dividend for the year ending 31 July 1976 will be on 14 May 1976 at 1-5158p per Ordinary share (last year 1-378p) and 2-2737p per Redeemable Preference share (last 2-067p).

Prospects for the Year

Upward trend which has been evident in most of our markets has been slow to appear in the United Kingdom, but where there are now definite signs of a turning of recovery. Against this background we see the strong overall demand for our products maintained during the first half of the year to come. Unless some major unforeseen and durable events emerge the improvement in performance will be maintained.

David Scott, Chairman

Details of the full Interim Statement can be obtained from the Secretary, Lucas Industries Limited, King Street, Birmingham B1 1NF.

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OFFSHORE AND OVERSEAS FUNDS

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P.O. Box 127, St. Helier, Jersey, 0534 2001

Capital £1,000,000

Units 1,000,000

Price on March 23, 1976: 1.15

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G.W. JOYNSON
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Commodity Brokers
14 Trinity Square
London EC3N 4ES Tel: 01-480 6921
Telex: 855346
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FT SHARE INFORMATION SERVICE

[illegible]

TRUSTS—Continued

[illegible]

FAR WEST RAND

O.F.S.

465	340	Harmony 50c	345m	-3	0.00
195	B2	Lorraine R1	B2	-2	0.00
181	£12 1/2	Pres. Brand 50c	£12 1/2	-1	0.00

240	168	Shimoda 5811 40	185	1814
160	85	New Wit 50e	100	4.0e
980	770	Palmo NY Fl 5	945	4.40
			+15	

62	45	Saltcrunes 20p	59	.1	Jan 1
125	95	SW Africa 20p	125		117.8
6121	700	Tyrol Cons. 1d Bl.	625		465c

179	13	Rho Corp 15 1/4	13	0 56
170	140	Rom Cons. K4	150	7016
175	143	Tenn Gas 50 1/2	152	+5

AUSTRALIAN

13	9	Uttam Min 50c	10	+1	—
9	4	Westmex 10c	7	—	—
172	134	W Mining 50c	169	+1	+08

45	33	Amal. Nigeria.....	37	...	5.62
223	160	Ayer Hitam	220	-3	113.

32	29	Sungei Way SM1	32	29	Sungei Way SM1
48	40	Tanjong 15p	45	40	Tanjong 15p
52	42	Tanjong 15p	42	42	Tanjong 15p

COPPER					
78	42	Botswana RST R2..	45	+1	—
335	170	Mossina R0 50	195		Q35

and, where possible, are updated on half-yearly figures adjusted to ACT of 35 per cent. PTEs are calculated on a distribution, based on figures indicating 28 per cent

are gross and allow for value of declared distributions.
Securities with denominations other than sterling
inclusive of the investment dollar premium.

* Cover does not allow for shares which may a dividend at a future date. No P/E ratio usually.

a Tax free. b Figures based on prospectus or estimate. c Cents. d Dividend rate paid or payable on full capital; cover based on dividend on full capital. e

ex all; of ex capital distribution

This service is available to every Company
Stock Exchanges throughout the United Kingdom
(fee of £735 per annum for each company)

fee of \$225 per annum for each set

Send troops call to U.K. by Kaunda

BY BRIDGET BLOOM

LUSAKA, March 29.

THE only alternative to an escalating guerrilla war against Rhodesia is military intervention by Britain and the imposition by Britain of a settlement leading to majority rule within one year, President Kenneth Kaunda of Zambia said here today.

Talking to reporters at State House this morning, he said that following the failure of the Smith-Nkomo talks, a "genuine" initiative by Britain would now be the "best thing" for Rhodesia, for it would save lives and help bring the war to a rapid end.

Asked what he meant by "genuine," Dr. Kaunda outlined two stages to bring majority rule to Rhodesia within a year. First, Britain should arrest the rebels including, he suggested, Mr. Ian Smith and his Ministers, and dissolve Parliament.

All groups

Then, Britain should appoint and chair an interim executive committee representing all racial groups, and including the external and internal wings of the African National Council and "genuine" whites like Garfield Todd and the repentant Roy Welensky (respectively former Rhodesian Prime Minister, and Former Prime Minister of the defunct Central African Federation).

This committee, which the President emphasised, must also include representatives of the freedom fighters, would have to "work flat out" for one year to arrange elections on the basis of one man, one vote.

Dr. Kaunda was asked whether such a solution would have to involve British military intervention in Rhodesia. He replied: "Yes, without qualification." He added that if Britain was unable to undertake such action "then they'd better keep out altogether."

President Kaunda said he had not put his proposals to the British Government and his replies to earlier questions suggested that he did not have much hope of their being accepted. As far as he was concerned, there had been "no move at all from Britain" in the present circumstances of Rhodesia.

But it seemed virtually to rule out the possibility of

British military intervention in Rhodesia. Dr. Kaunda left no doubt at all of his belief that the guerrilla war against Rhodesia would now be intensified. Joshua Nkomo and his colleagues had, he said, "proved beyond doubt the intransigence of Mr. Smith's Government."

"We are intensifying the war against Rhodesia—that is very clear indeed. There is now no other course left to the masses in Rhodesia," Zambia—and the neighbouring states of Tanzania, Mozambique and Botswana, whose Presidents met here last week—were all determined to give every support to Rhodesia's liberation movements in their battle for freedom, Dr. Kaunda said.

Referring to suggestions that the four Presidents were encouraging the emergence of a new leadership from among the guerrilla fighters—whom President Nyerere termed the "third force" of the Rhodesian liberation struggle—Dr. Kaunda said: "At no time has any of us thought in terms of creating leadership. This would be another form of imperialism."

It was, however, essential that all the Rhodesian nationalists should find unity, "if we are to save ourselves from another Angola." Without unity, what would happen in Rhodesia could be "bloodier than Angola."

Crucial

There was a crucial role for those inside, as well as outside, Rhodesia. There had to be people who would blow up bridges, damage roads, or put sand in the carburetors of vehicles, but Dr. Kaunda refused to say whether this had been specifically discussed as part of the new war strategy.

Asked about the possibility of Cuban or other foreign intervention on behalf of the Rhodesian nationalist fighters, Dr. Kaunda said there was "no question" of either the African States or the fighters themselves wanting foreign troops, although that situation would change if foreign troops aided Rhodesia.

Tony Hawkins reports from Salisbury: Nkomo flew into Lusaka today for talks with President Kaunda. This is the nationalist leader's third visit to the Zambian capital within ten days.

U.K. French Concorde talks



BRITISH AND French leaders meet in Paris for talks on the future of the Concorde. Left to right: Mr. Stanley Clinton Davis, British Under-Secretary, Ministry of Trade; M. Marcel Cavaille, French Transport Minister; and Mr. Gerald Kaufman, Minister of State for Industry.

Saudi Arabia may buy 300 U.K. fighter-bombers

BY RICHARD JOHNS, MIDDLE EAST EDITOR

SAUDI ARABIA appears to have entered into serious negotiations with the British Government over the possible purchase of as many as 300 Jaguar fighter-bombers.

This emerged yesterday as the first meeting of the U.K.-Saudi Arabian joint commission for economic co-operation—which has been established to stimulate and expand British participation in the Kingdom's \$145bn. five-year development plan—began in London.

The forum, set up as a result of Crown Prince Fahd's official visit to Britain last year, will not cover talks over the sale of the aircraft.

These have now reached the point that Air Chief Marshal Sir Andrew Humphrey, Chief of Air Staff, recently visited Riyadh with a top-level delegation.

It is understood that Saudi Arabia may be prepared to spend more than £1bn. on purchasing these aircraft.

Also at stake are contracts for maintenance and further development of air force infrastructure in the Kingdom with a value of up to £15m.

In December, Prince Turk

bin Abdel-Aziz, Saudi Arabian Deputy Minister of Defence, visited London for discussions with Mr. Roy Mason, Secretary of State for Defence, and senior British officials.

The Prince, who was accompanied by the Commander-in-Chief of the Saudi Air Force, acknowledged the Kingdom's "interest" in the Jaguar, but added that no serious discussions had yet taken place.

Nothing as dramatic as a major arms deal will emerge from the three-day consultations on economic collaboration this week, aimed at identifying areas where British Government agencies and U.K. companies can become involved in projects in the Kingdom.

One example is new towns in the Kingdom—a high Saudi priority—for which the Department of the Environment has been working on detailed proposals and also seeking to mobilise U.K. companies with relevant expertise.

The Saudi side is headed by Mr. Abdullah Al-Raza, Deputy Minister of Foreign Affairs,

and the British at senior official level, by Mr. John Kaines, an Under-Secretary at the Board of Trade.

The talks will take up a number of questions covered by Mr. James Callaghan, Foreign Secretary, when he paid an official visit to Saudi Arabia in November.

Apart from new towns, they include hospitals and health services, schools and education, ports, telecommunications and construction in general.

On Wednesday, senior representatives of British companies, which might be able to implement projects agreed on a government-to-government basis, will be called in to take part in the commission's work.

Yesterday afternoon, Mr. Al-Raza and other members of the nine-man Saudi delegation paid calls on Mr. David Ennals, Minister of State, Foreign and Commonwealth Office; Sir Anthony Part, Permanent Secretary, at the Department of Industry, and Sir John Llewellyn, head of the British Council. Last night, they were being entertained to dinner by Mr. Peter Shore, Secretary of State for Trade.

THE LEX COLUMN

Booker minus Guyana

Booker McConnell's results confirm that future earnings are not likely to be hit badly by nationalisation in Guyana and the shares jumped 13p to 141p yesterday. Profits for 1975 are £22m. higher at £16.1m. pre-tax and the chances are that Booker can sustain this sort of return in 1976—when the tax charge should be easing down usefully from last year's 58 per cent. The group stands to lose profits in Guyana of around £0.8m. at the net attributable level in spirits and shopkeeping and manufacture, but losses on sugar are currently not far behind that.

At the same time, it is doubtful whether the balance-sheet will suffer too much from nationalisation either. End-1975 tangible shareholders' funds, probably emerge at around £46m. (excluding minorities of maybe £6m.) of which £19m. is known to be Guyana. Net borrowings are now up to £20m. But half Booker's debt is now in Guyana, so on the worst assumptions—no compensation at all—net assets would still top group borrowings by a comfortable £16m. or so.

Much of last year's upturn in profits was due to loss elimination. But Booker reckons its food businesses will hold up reasonably well this year and that the further growth in the engineering division—80 per cent. of net attributable profits last year—should offset weakness in shipping; orders for sugar machinery now top £40m. with work here stretching into 1977.

Booker's market capitalisation of £35m. is still a quarter down on its 1975 peak, and the earnings background in the U.K. contains a number of weak areas. But a sixth of profits were earned overseas last year (excluding Guyana) and the 6.4 per cent. yield is covered 3.8 times.

English Property's report underlines its continued heavy involvement in development, which accounts for a quarter of property assets with commitments under contract of £70m. and a further £50m. authorised.

Moreover, EPC is capitalising two-thirds are below £1,000, going compared with pre-tax profits of £4.26m. though the group points out that in cash flow terms development spending as a whole will be covered

Index fell 4.0 to 406.4

by disposals this year. Short-term borrowings have fallen even further since last October: while the debt profile has been considerably improved since 1973, EPC remains highly geared even when Trizec is deconsolidated, to show equity of £121m. and debt of £268m. Last night's price of 54p is a low for the year and compares with a published fully diluted net worth of 128p.

Barratt

The upturn at the lower end of the housing market is now definitely working through to profits: for the six months to the end of December, Barratt

Developments is £1.64m. up at £4.26m. pre-tax. The newly acquired Jones accounts for £1.23m. of the increase, and with profits from land sales down from £276,000 to £24,000, trading and other income of the group (ex-Jones) is two-fifths higher on a 54 per cent. increase in turnover. So the two-year-long decline in margins continued against the background of a 12.1 per cent. rise in Barratt's prices during calendar 1975, but an 18 per cent. jump in building costs.

Margins now appear to be stabilising and Barratt reckons that prices will rise by 12 per cent. during 1976, at least keeping pace with costs. Moreover, the group is talking about increasing unit sales of which two-thirds are below £1,000, going compared with pre-tax profits of £4.26m. though the group points out that in cash flow terms development spending as a whole will be covered

Public rows of this nature are rare in the City, and the question is why, when there has been a lengthy history of poor relations between Silentbloc and its major shareholder ever since the bid failed in 1971. The Board did not sound out BTR in advance. Silentbloc says that the new Articles were considered to be non-controversial, and it was not necessary to consult with particular shareholders, although the proposed new borrowing powers were cleared with the institutional investment protection committees. But however innocent its intentions, it seems to have made a misjudgment.

For its part, BTR was perfectly entitled to vote against proposals which, rightly or wrongly, it considered were endangering its interests. BTR was especially sensitive about the points relating to the appointment and removal of directors. But it is less clear that it was well advised to hammer home the point by trying to remove the chairman. Or did it?

BTR now says that it was £20.9m. of development outgoings compared with pre-tax profits of £4.26m. though the group points out that in cash flow terms development spending as a whole will be covered

all for calendar 1976.

Continued from Page 1

Weather

RAIN or showers, some wintry, in the North. Brighter in the South. London, E., S.E., S.W. and Cent. S. England, E. Anglia, Midlands, Channel Is., S. Wales. Dry, bright periods. Wind W. fresh or strong. Max. 11C (52F).

N. Wales, N.W. and Cent. N. England. Showers, bright periods. Wind W. strong. Max. 10C (50F).

Wales, N.E. England, Borders, S.W. Scotland, N. Ireland. Rain at times. Snow on hills. Wind W. strong to gale. Max. 7C (45F).

Rest of Scotland. Showers or rain. Snow on hills. Wind W. strong or gale. Max. 5-6C (41-43F).

Outlook: Showers, sunny spells. Lighting up: London 20.00, Manchester 20.10, Glasgow 20.21, Belfast 20.27.

BUSINESS CENTRES

City	Yday	Mid-day	Yday	Mid-day
Alexandria	17	17	Manila	17
Amsterdam	17	17	Mexico	17
Bahia	17	17	Montreal	17
Bombay	17	17	Moscow	17
Buenos Aires	17	17	Mumbai	17
Calcutta	17	17	Nairobi	17
Canton	17	17	Rangoon	17
Cebu	17	17	Reykjavik	17
Hankow	17	17	Sao Paulo	17
Hong Kong	17	17	Shanghai	17
Kobe	17	17	Singapore	17
London	17	17	Tokyo	17
Lyons	17	17	Yokohama	17
Madrid	17	17		

HOLIDAY RESORTS

City	Yday	Mid-day	Yday	Mid-day
Algeria	17	17	London	17
Amsterdam	17	17	Lyons	17
Bahia	17	17	Madrid	17
Bombay	17	17	Manila	17
Buenos Aires	17	17	Mexico	17
Calcutta	17	17	Montreal	17
Canton	17	17	Moscow	17
Cebu	17	17	Mumbai	17
Hankow	17	17	Nairobi	17
Hong Kong	17	17	Rangoon	17
Kobe	17	17	Reykjavik	17
London	17	17	Sao Paulo	17
Lyons	17	17	Shanghai	17
Madrid	17	17	Singapore	17
Manila	17	17	Tokyo	17
Mexico	17	17	Yokohama	17
Montreal	17	17		
Moscow	17	17		
Mumbai	17	17		
Nairobi	17	17		
Rangoon	17	17		
Reykjavik	17	17		
Sao Paulo	17	17		
Shanghai	17	17		
Singapore	17	17		
Tokyo	17	17		
Yokohama	17	17		

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Report on collapse of V & G out soon

By Margaret Reid

THE long-delayed report of the Department of Trade inspectors into Vehicle and General Insurance, which collapsed in 1971 leaving a million motorists without cover, is expected to be published within the next two weeks or so.

The V&G failure, which prompted many searching questions about supervision of insurance companies, and in turn, led to legislative action to tighten controls, was followed quickly by an official inquiry.

Mr. Michael Eastham, QC, and Mr. R. T. M. McPhail were appointed to investigate the affairs of the company.

On July 19, 1972, the then Minister for Trade, Mr. Michael Noble, now Lord Glenkilg, told the Commons that a copy of the report of the inspectors had been sent to the Director of Public Prosecutions.

Police inquiries were then being made, said Mr. Noble. These would inevitably take a considerable time, and meanwhile the report would not be published.

In March last year, Mr. Sam Silkin, Attorney-General, told the Commons that the Director of Public Prosecutions had received the report of police inquiries into the collapse of Vehicle and General.

Mr. Silkin added that the Director was considering the report, in consultation with counsel and what action should be taken.

Store closure: Accountants may be sued

BY MARGARET REID

THE POSSIBILITY of a legal action for negligence against an international firm of accountants is raised by the closure of the West German store company Biebershaus.

UDS Group, the British tailoring and retail concern, which has a 50 per cent. stake in Biebershaus through its half-ownership of the German Hubner Group, faces a £1m. net loss as a result of ending the Biebershaus venture.

The total loss which the closure of Biebershaus, a Frankfurt department store business, means for Hubner—another store company which UDS owns jointly with the Turkitz family—appears

Minister orders inquiry into asbestos health risks

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

A WIDE RANGING review of the health risks from asbestos is to be made by a Government advisory committee, Mr. Harold Walker, Under Secretary for Employment, said yesterday.

He was answering a demand from Mr. Max Madden, Labour MP for Sowerby, that the Government should establish a commission or official inquiry "into all the benefits and hazards associated with asbestos."

Mr. Madden insisted that the inquiry should look at all asbestos, including the risks to those working with asbestos and the public who may come into contact with asbestos materials.

"Any report should be able to set out the benefits and risks of asbestos and allow the community as a whole to decide whether asbestos is acceptable. This important issue cannot be evaded any longer."

He made his demand following publication of a report by the Parliamentary Commissioner (the Ombudsman) Sir Alan Marre on the operations of the Factory Inspectorate in respect of the Cape Asbestos plant at Heddon Bridge. The plant is in Mr. Madden's constituency.

The report severely criticises factory inspectors who policed conditions at the Acre Mill plant where 40 people died from asbestosis, a lung disease, during the years from 1939 to 1970 when it was operating.

Mr. Walker, for the Employment Department, yesterday accepted the criticism. "The

Chief Inspector of Factories agrees with hindsight that even with the difficulties they then faced they could have enforced the regulations more rigorously."

However, the findings do not constitute the kind of revelations of gross maladministration and inefficiency which some might have been expecting," he said.

Mr. Walker pointed out that new asbestos regulations came into force in 1970, they were backed by stricter hygiene standards and were being stringently enforced. "There is no room for complacency but as the report acknowledges, the health and safety picture concerning the industrial use of asbestos has vastly improved."

Radical change

The regulations were already being reviewed in the light of the first five years experience. "The Health and Safety Commission have made suggestions to other Government departments regarding the setting up of an advisory committee to undertake a wide ranging review of the health risks from asbestos and to make recommendations on any further action which in their view ought to be taken."

The Health and Safety Executive into which the Factory Inspectorate was absorbed, maintained last night that "if anything still remains to be put right this will be done" but "the position has changed radically since the mill closed in 1970 and

not forthcoming," he declared.

"In my view there were shortcomings in the way those concerned in the department tackled their tasks over a period. Partly as a result of this, the need for more decisive action was not properly recognised at an earlier date."

"A more persistent and co-ordinated effort by several parts of the inspectorate might well have led to different results."

While the inspectors had known since 1964 that asbestos dust was highly injurious, "I am not convinced that they were sufficiently decisive either in conveying to the management the sense of urgency or in pursuing the question of a prosecution when improvements were not forthcoming," he declared.

The Hubner Group has been advised by its lawyers that it has a claim for alleged negligence against the investigating accountants.

The accounting firm in question was unnamed but is understood to be an international one. UDS said yesterday that the net loss applicable to it would not exceed £4m., "making no allowance for any recovery arising out of the above claim."

The loss arising from the unsuccessful outcome of the investment in Biebershaus is the second substantial write-off UDS has had to make in the last two or three years.

It has already fully provided for the £5m. it had on loan to the collapsed British secondary bank, London and County Securities, at a net cost of about £34m.

Of Hubner Group, which has financial interests, UDS said yesterday: "The management of the Hubner Group are confident that Hubner will continue to trade profitably."

UDS, which in 1972 made and later withdrew a £132m. bid to take over the big Debenhams department store group, is to account for the loss concerning Biebershaus as an extraordinary item in its 1975-76 profit and loss account.

Continued from Page 1

Leyland

ing any progress. Talks were also continuing last night between Triumph management and the Coventry toolroom strikers who are seeking an extra £1.85 a week to achieve parity with insmiths at the plant.

Yesterday, the effects of the Coventry stoppage percolated through to the Triumph works at Speke, Liverpool, where 630 workers were laid off from the Dolomite body lines.

Last night's resumption of talks which began over the weekend indicates that the strikers' representatives are eager to find a solution to the dispute which has now made almost 3,000 of their colleagues idle.

The third dispute, involving 400 toolmakers at Rover plants in the Midlands and Cardiff, has laid off more than 4,500 workers and may prove the most difficult to settle.

At present no further talks are arranged on their dispute, which centres on the interpretation of last year's agreement which expired in February.

The strikers claim that management owes them back-pay of up to £2 a week because of miscalculation on overtime and other premium payments although the management and the Engineering Employers Federation reject this view.

The company has offered to go to arbitration but so far the strikers have declined.

The dispute revolves round the 1940 national toolroom agreement concluded by the EEF and the AUEW which guarantees that toolroom workers will not receive less than skilled production men employed in their plants. But the issue is complicated by improved minimum rates agreed for Rover workers in January, 1975, as an inducement to fall in line with Leyland's worker participation plans.

The toolroom men reject that proposal and therefore did not qualify for the improved basic rates which in turn meant they did not receive improved premium payments enjoyed by the other grades.

Further problems emerged for Leyland yesterday when 700 men at the Llanelli body pressings plant who returned to work only last Friday, walked out again over the same issue. The dispute is over the process for upgrading men to skilled jobs in the press shop. The men, members of the Transport and General Workers' Union, will meet again today.

At the same time, it is doubtful whether the balance-sheet will suffer too much from nationalisation either. End-1975 tangible shareholders' funds, probably emerge at around £46m. (excluding minorities of maybe £6m.) of which £19m. is known to be Guyana. Net borrowings are now up to £20m. But half Booker's debt is now in Guyana, so on the worst assumptions—no compensation at all—net assets would still top group borrowings by a comfortable £16m. or so.

Much of last year's upturn in profits was due to loss elimination. But Booker reckons its food businesses will hold up reasonably well this year and that the further growth in the engineering division—80 per cent. of net attributable profits last year—should offset weakness in shipping; orders for sugar machinery now top £40m. with work here stretching into 1977.

Booker's market capitalisation of £35m. is still a quarter down on its 1975 peak, and the earnings background in the U.K. contains a number of weak areas. But a sixth of profits were earned overseas last year (excluding Guyana) and the 6.4 per cent. yield is covered 3.8 times.

English Property's report underlines its continued heavy involvement in development, which accounts for a quarter of property assets with commitments under contract of £70m. and a further £50m. authorised.

Moreover, EPC is capitalising two-thirds are below £1,000, going compared with pre-tax profits of £4.26m. though the group points out that in cash flow terms development spending as a whole will be covered

all for calendar 1976.

Continued from Page 1

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